湖州燃气
HUZHOU GAS

湖州燃氣股份有限公司
HUZHOU GAS CO., LTD.*

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

Stock Code：6661

2022
ANNUAL REPORT

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Hua *(Chairman)*
Ms. Su Li
Mr. Pan Haiming

Non-executive Directors

Mr. Liu Jianfeng *(Appointed on 6 February 2023)*
Mr. Zhang Yuying *(Resigned on 6 February 2023)*
Ms. Wu Zhanghuan

Independent Non-executive Directors

Mr. Chang Li Hsien Leslie
Dr. Lau Suet Chiu Frederic
Mr. Zhou Xinfa

SUPERVISORS

Ms. Liu Fei
Mr. Cai Rui
Mr. Xu Guoxin

AUDIT COMMITTEE

Mr. Chang Li Hsien Leslie *(Chairman)*
Dr. Lau Suet Chiu Frederic
Mr. Zhou Xinfa

NOMINATION COMMITTEE

Mr. Zhou Xinfa *(Chairman)*
Mr. Chang Li Hsien Leslie
Dr. Lau Suet Chiu Frederic

REMUNERATION COMMITTEE

Dr. Lau Suet Chiu Frederic *(Chairman)*
Mr. Chang Li Hsien Leslie
Mr. Zhou Xinfa

JOINT COMPANY SECRETARIES

Mr. Tang Chunhui
Ms. Lee Mei Yi *(Appointed on 11 August 2022)*
Ms. Mak Sze Man *(Resigned on 11 August 2022)*

AUTHORISED REPRESENTATIVES

Mr. Wang Hua
Mr. Pan Haiming *(Alternate to Mr. Wang Hua)*
Ms. Lee Mei Yi *(Appointed on 11 August 2022)*
Ms. Mak Sze Man *(Resigned on 11 August 2022)*

REGISTERED OFFICE AND HEADQUARTER IN THE PRC

227 Sizhong Road
Huzhou
Zhejiang Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

HONG KONG H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

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

LEGAL ADVISERS

As to Hong Kong law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law
Grandall Law Firm (Hangzhou)
Grandall Building
No. 2 & No.15, Block B
Baita Park
Old Fuxing Road
Hangzhou
Zhejiang
310008
China

COMPLIANCE ADVISER

BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Huzhou Co., Ltd. (Riyuecheng Sub-Branch)
701-711 Waihuan North Road
Wuxing District
Huzhou
Zhejiang Province
The PRC

Bank of China Limited (Huzhou Branch)
208 Renmin Road
Wuxing District
Huzhou
Zhejiang Province
The PRC

China Construction Bank Corporation (Chengzhong Sub-Branch)
132 Taihu Road
Wuxing District
Huzhou
Zhejiang Province
The PRC

STOCK CODE

6661

COMPANY WEBSITE

www.hzrqgf.com

DEFINITIONS

"AGM"	the annual general meeting of the Company to be held on 8 June 2023
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended from time to time
"City Group"	Huzhou City Investment and Development Group Co., Ltd.* (湖州市城市投資發展集團有限公司), a state-owned enterprise established under the laws of the PRC on 27 February 1993 and directly wholly-owned by Huzhou SASAC, the controlling shareholder of the Company as at the date of this annual report
"Company"	Huzhou Gas Co., Ltd.* (湖州燃氣股份有限公司), a limited liability company established under the laws of the PRC on 16 June 2004 and converted into a joint stock company with limited liability on 2 April 2021
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Deqing Xinrui"	Deqing Xinrui New Energy Co., Ltd.* (德清新瑞新能源有限公司), a limited liability company established under the laws of the PRC on 26 September 2021 and an indirect non-wholly owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
"ENN (China)"	Xinao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司), a limited liability company established under the laws of the PRC on 8 January 2004, which is directly wholly-owned by ENN Energy, and a substantial shareholder of the Company as at the date of this annual report
"ENN Energy"	ENN Energy Holdings Limited, an exempted company incorporated in the Cayman Islands on 20 July 2000 with limited liability which is listed on the Main Board of the Stock Exchange (Stock Code: 2688) and a substantial shareholder of the Company as at the date of this annual report
"ENN Energy Group"	collectively, ENN Energy and its subsidiaries

"ENN Group"	ENN Group Co., Ltd.* (新奧集團股份有限公司), a limited liability company established under the laws of the PRC on 5 August 1997, which is owned as to 99.65% by Langfang as at the date of this report, and a controlling shareholder of each of Xinao Energy Development, Nanxun Xinao and Nanxun Xinao Development
"FY" or "financial year"	financial year of the Company ended or ending 31 December
"Group", "we", "our" or "us"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Huran New Energy"	Huzhou Huran New Energy Development Co., Ltd.* (湖州湖燃新能源開發有限公司), a limited liability company established under the laws of the PRC on 24 April 2022, which is owned as to 95% by the Company and 5% by Huzhou Zhongran Enterprise Management Partnership (Limited Partnership)* (湖州眾燃企業管理合夥企業(有限合夥)), respectively, and a direct non-wholly owned subsidiary of the Company
"Huzhou SASAC"	Huzhou Municipal People's Government State-owned Assets Supervision and Administration Commission* (湖州市人民政府國有資產監督管理委員會), which, as a functional department of Huzhou Municipal People's Government, reports to and is under the leadership of Huzhou Municipal People's Government, and is therefore a PRC government body (as defined under the Listing Rules)
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board
"Independent Third Party(ies)"	party(ies) which, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person(s) (as defined in the Listing Rules) of the Company
"Langfang"	Langfang City Natural Gas Company Limited* (廊坊市天然氣有限公司), a limited liability company established under the laws of the PRC on 5 December 1992, which is controlled as to 94.76% by Mr. Wang Yusuo (王玉鎖) and 5.24% by Ms. Zhao Baoju (趙寶菊) as at the date of this report, and a controlling shareholder of ENN Energy and ENN Group
"Listing Date"	13 July 2022, on which the H Shares are first listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

"LNG"	liquefied natural gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nanxun Xinao"	Huzhou Nanxun Xinao Gas Company Limited* (湖州南潯新奧燃氣有限公司), a limited liability company established under the laws of the PRC on 28 September 2009, which is owned as to 51% by the Company and 49% by ENN Group, and a direct non-wholly owned subsidiary of the Company
"Nanxun Xinao Development"	Huzhou Nanxun Xinao Gas Development Company Limited* (湖州南潯新奧燃氣發展有限公司), a limited liability company established under the laws of the PRC on 28 November 2017, which is owned as to 51% by the Company and 49% by ENN Group, and a direct non-wholly owned subsidiary of the Company
"Ningbo Intercity"	Ningbo Chengji Energy Trading Company Limited* (寧波城際能源貿易有限公司), a limited liability company established under the laws of the PRC on 15 May 2018 and an indirect wholly-owned subsidiary of ENN (China)
"Operating Area"	the Wuxing Operating Area and the Nanxun Operating Area
"PNG"	piped natural gas
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this annual report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus issued by the Company on 29 June 2022
"Reporting Period" or "Year"	the year ended 31 December 2022
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company

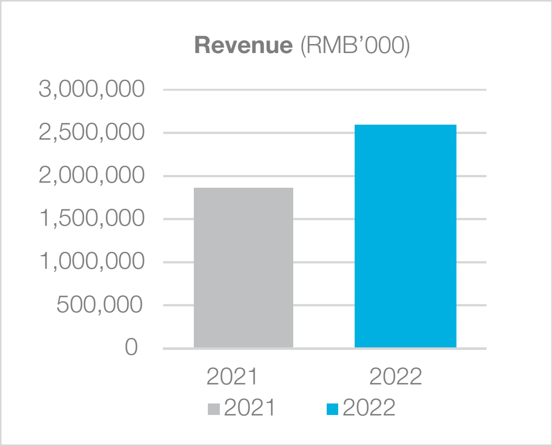
FINANCIAL HIGHLIGHTS

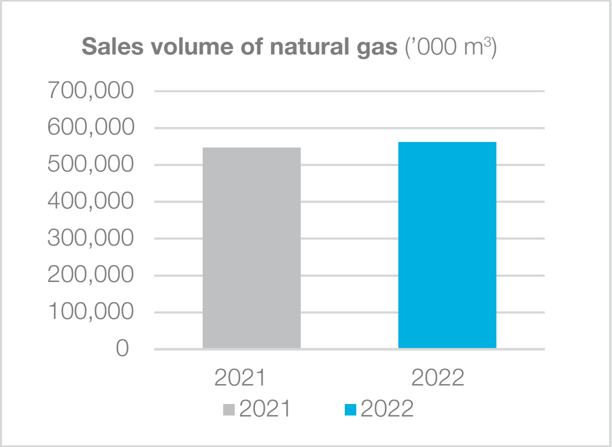
Revenue for the year was RMB2,579.46 million, representing an increase of 38.77% as compared with the previous year.

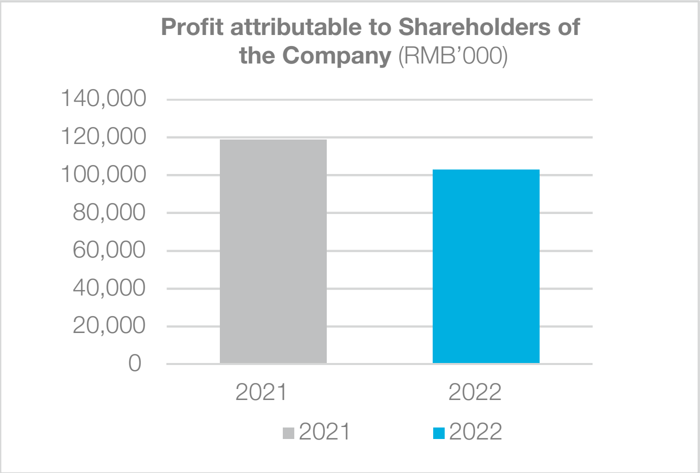
Profit attributable to Shareholders of the Company for the year was RMB104.09 million, representing a decrease of 13.05% as compared with the previous year.

Total sales volume of natural gas for the year was 562 million m^3, representing an increase of 2.83% as compared with the previous year.

The Board has proposed to pay the final dividend of RMB0.30 (tax inclusive) per share for the Year.







CHAIRMAN'S STATEMENT

Dear Shareholders,

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

Since 2022, affected by some unexpected factors such as the international environment, pandemics and the extreme weather, China's economy has fluctuated. However, with the timely publication and continuous implementation of a series of policies to stabilize the economy, the national economy has gradually stabilized under the pressure, and the gross domestic product (GDP) has reached RMB121 trillion, reaching a new level again following the continuous breakthrough of RMB100 trillion and RMB110 trillion in 2020 and 2021, respectively. With the establishment of the goal of "carbon neutrality" (碳中和) and "carbon peaking" (碳達峰) put forward by China and the continuous implementation of policies in relation to energy and environmental protection, the government has demonstrated its determination and responsibility to promote global sustainable development through the comprehensive green transformation. The report to the 20th National Congress of the Communist Party of China has proposed to actively and steadily promote carbon peaking and carbon neutrality, increase the efforts to explore and develop oil and gas resources and increase their storage and production, accelerate the planning and construction of new energy systems, and strengthen the construction of energy production, supply, storage and marketing systems to ensure energy security.

With the deepening of the energy revolution, driven by low-carbon technological innovation and supported by advanced and applicable technologies, China has accelerated the widespread application of natural gas in transportation, chemical industry, construction and other fields. In 2022, China's natural gas output was 217.8 billion m^3, representing a year-on-year increase of 6.4%; the consumption volume of natural gas was 366.3 billion m^3, and the market demand was still high.

The Company is the largest pipeline natural gas operator in Huzhou, Zhejiang, China. In 2022, based on the "double carbon" (雙碳) goal and the new economic and social situation, Zhejiang Province should continuously optimize the gas consumption structure, with a natural gas consumption volume in the whole province of 18 billion m^3, which was the same as that of the previous year, among which urban gas consumption was 13.2 billion m^3, representing a year-on-year increase of 1.5%. Huzhou City, where the Company was located, moved forward under the economic pressure in 2022, and achieved an annual gross regional product (GDP) of RMB385 billion, representing an increase of 3.3% at comparable prices. Among them, the added value of industries above designated size in the whole city was RMB132.49 billion, representing an increase of 3.0% as compared with the previous year.

After years of operation, the Company accumulated rich experience in the gas industry and was deeply trusted by the government, society and customers. 2022 was the first year for the Company's listing and development, and the Company seized the strategic opportunity of the "double carbon" goal, overcame multiple challenges such as increase in gas source costs and unprecedented pressure on safe production, faced difficulties, overcome difficulties, and continued to tap the potential of the existing market. The customer scale continued to expand, and the conventional energy business was further consolidated, achieving a good start for the "14th Five-Year Plan" (十四五), laying a solid foundation for the Company's transformation and development, and providing a strong energy guarantee for the high-quality development of the economy and society.

As a clean energy enterprise, the Company actively responded to the national call for "green, energy-saving and low-carbon" (綠色、節能、低碳), gave full play to the advantages of the majority Shareholders, accelerated the expansion of new energy business such as photovoltaic, and established Huzhou Huran New Energy Development Co., Ltd.* (湖州湖燃新能源開發有限公司) as well as the wholly-owned subsidiaries and joint venture subsidiaries to realize the coordinated development of natural gas and photovoltaic clean energies. The safety management level of the enterprise was significantly improved, with no liability accident throughout the year, and it passed the safety production assessment of the expert group under the State Council Security Committee. The Company actively built up a "smart cloud" platform, to create a digital intelligence management closed-loop and continuously improve the comprehensive strength of the enterprise.

Finally, on behalf of the Board of Directors, I would like to express my heartfelt thanks to all Shareholders, customers and partners of the Company for their trust and support all the time, as well as to all employees of the Company for their hard work, diligence and dedication!

Wang Hua
Chairman

Huzhou, Zhejiang, the PRC
30 March 2023

INDUSTRY OVERVIEW

The low-carbon transformation of the global energy system has brought broad development prospects to the natural gas industry. With the global warming caused by the atmospheric greenhouse effect, more and more national governments have turned net-zero emissions into national strategies and put forward a vision of a carbon-free future. In this context, in October 2022, the State Council released the Action Plan for Carbon Peaking before 2030 (《2030年前碳達峰行動方案》), which proposed to promote the replacement of fossil energies such as coal and oil with natural gas in more fields and industries, so as to accelerate the realization of the "double carbon" goal; to incorporate natural gas into the key areas of energy transformation; and to increase the efforts in the construction of oil and gas pipeline network facilities.

Under the guidance of the "double carbon" goal, in recent years, the construction of "Clean Energy Demonstration Province" in Zhejiang has been continuously promoted, and the proportion of natural gas consumption in primary energy has increased year by year. In the Zhejiang Province 14th Five-Year Plan for Coal, Petroleum and Natural Gas Development (《浙江省煤炭石油天然氣發展「十四五」規劃》), it has been proposed that the proportion of natural gas consumption volume of Zhejiang Province in the primary energy structure will increase to about 13% by 2025; the gasification rate of natural gas pipeline for the urban population in the whole province will reach about 60%; and the scale of natural gas pipeline network will reach 4,500 kilometers.

In the National Economic and Social Development Plan of Huzhou City for 2022 (《湖州市2022年國民經濟和社會發展計劃》) issued in June 2022 by the government of Huzhou City, where the Company is located, it has been proposed to conscientiously strengthen the energy conservation and carbon reduction, put into effect the carbon peaking and carbon neutrality plan, and comprehensively implement the "6+1" action plan for carbon peaking in key areas. The Company shall actively develop the clean energy, and the proportion of the non-fossil energy consumption in the primary energy consumption shall reach 20%.

BUSINESS REVIEW

Since 2004 and 2009, the Group has been the exclusive distributor of PNG in its operating areas in Wuxing District and Nanxun District of Huzhou, respectively. The Group's main businesses include the sale of gas, mainly PNG, under concession rights granted to the Group by government authorities in Huzhou City, the provision of services to construct and install end-user pipeline network and gas facilities and others, including sale of household gas appliances. As at the end of the Reporting Period, the number of residential users and industrial and commercial users served by the Group amounted to 257,866 and 3,422, respectively, with a gas sales volume of approximately 562.33 million m^3, representing an increase of approximately 2.83% as compared with the corresponding period of the previous year.

As at the end of the Reporting Period, the Group was the largest PNG distributor in Huzhou City, Zhejiang Province, the PRC, and the length of the natural gas pipeline network operated within the Group's operating areas in Huzhou was approximately 1,442 kilometers.

DEVELOPMENT STRATEGY AND OUTLOOK

The Company has always been committed to creating a better and convenient life for customers, creating long-term and stable value for shareholders, relying on the "double carbon" development goal, coordinating development and safety, constantly improving the production, supply, storage and sales system, consolidating the foundation for main businesses of gas equipment installation and natural gas sales, meeting the incremental demand of economic and social development for clean energy, and realizing the coordinated supply of multiple energies and the comprehensive cascade utilization of energy according to the demands of the customers such as energy consumption demand, energy consumption law, energy conservation and emission reduction, so as to optimize the comprehensive operation of clean energies and the complementation of multiple energies, and play a greater role in promoting pollution and carbon reduction.

FINANCIAL OVERVIEW

Revenue

The Group's revenue for the Year was RMB2,579.46 million, representing an increase of 38.77% as compared with RMB1,858.74 million in the previous year. The increase in revenue was mainly resulting from the increase in unit selling price of PNG and the increase in the sales volume of natural gas during the Year.

Gross Profit

The Group's gross profit for the Year was RMB114.46 million, representing a decrease of 59.90% as compared with RMB285.47 million in the previous year. The decrease in gross profit was mainly attributable to the PNG purchase and sale price inversion (the "**PNG Price Inversion**") during the period from April to May 2022 resulting from Zhejiang Province's coordination and adjustment of gas supply price to ensure stable gas supply, in order to hedge the sharp hike in energy prices caused by Russia-Ukraine War and other tensions in international relations, and the loss from the purchase and sale price inversion generated from residential gas consumption.

Other Income and Gains

The Group's other income and gains for the Year were RMB146.20 million, representing an increase of 648.98% as compared with RMB19.52 million in the previous year. It was mainly due to the receipt of the gas supply guarantee subsidy of RMB85.00 million from the special fiscal fund of Huzhou Finance Bureau, which was used to compensate the natural gas sales units for the loss caused by the PNG Price Inversion from April to May 2022; and the government grants of RMB14.46 million, which were used to compensate for the loss from the purchase and sale price inversion generated from residential gas consumption during the heating season.

Finance Costs

The Group's finance costs for the Year were RMB2.47 million, representing an increase of 99.19% as compared with RMB1.24 million in the previous year. It was mainly due to the increase in interest expenses arising from the increase in bank borrowings in the Year.

Income Tax Expense

The Group's income tax expense for the Year decreased by 24.27% to RMB41.65 million from RMB55.00 million in the previous year. The effective tax rate for the Year was 24.37% (2021: 24.81%). The decrease in income tax expense was mainly due to the decrease of 22.91% in profit before tax as compared with the previous year.

Profit attributable to Owners of the Parent

Profit attributable to owners of the parent for the Year was RMB104.09 million, representing a decrease of 13.05% as compared with RMB119.71 million in the previous year, which was mainly due to the PNG Price Inversion during the period from April to May 2022 resulting in the decrease in the gross profit from the Group's sale of PNG as compared with the previous year.

Liquidity and Financial Position

As at 31 December 2022, the current assets of the Group amounted to RMB1,218.62 million (31 December 2021: RMB894.61 million), of which cash and bank balance was equivalent to RMB1,079.70 million.

As at 31 December 2022, the current ratio (current assets/current liabilities) of the Group was 1.41 (31 December 2021: 1.23) and the asset-liability ratio (total liabilities/total assets) was 47.92% (31 December 2021: 46.24%). As at 31 December 2022, there were no utilised bank loans; as at 31 December 2022, the unutilised bank credit balance was RMB805.00 million. The Group issued a letter of guarantee of RMB30.00 million for the performance bond required to be paid to National Oil and Gas Pipeline Network Group Co., Ltd.* (國家石油天然氣管網集團有限公司) under the Agreement on the Access of New Download Point Off-load Facilities of Natural Gas Infrastructure (《天然氣基礎設施新增下載點分輸設施接入協議》) entered into by Huzhou Nanxun Xinao Gas Company Limited* (湖州南潯新奧燃氣有限公司), a subsidiary of the Company, and National Pipeline Network Group Sichuan to East Natural Gas Pipeline Co., Ltd.* (國家管網集團川氣東送天然氣管道有限公司), and the term of the letter of guarantee was from 1 September 2022 to 30 June 2027.

As at 31 December 2022, the gearing ratio of the Group was approximately 0.73% (as at 31 December 2021: 0.11%). The ratio was calculated by dividing total interest-bearing liabilities by the total equity of the Group. As at 31 December 2022, the Group maintained a net cash position.

SIGNIFICANT INVESTMENT

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

Exchange Rate Fluctuation Risk

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

Contingent Liabilities

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

Financial Guarantee Obligations

As at 31 December 2022, the Group had no material financial guarantee obligations.

Pledge of Assets

As at 31 December 2022, the Group had no pledge of assets.

Material Acquisition and Disposal

During the Reporting Period, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Human Resources and Employee Compensation

As at 31 December 2022, the Group employed a total of 435 employees in China (31 December 2021: 422). During the Reporting Period, the total employee costs of the Group were approximately RMB86.89 million. The Group further strengthened the training of employees to enhance their professional level and overall quality, by providing targeted training courses to the management, management personnel at various positions, professional technical personnel and service personnel, and by distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provided employees with competitive remuneration packages to encourage them to work hard and show their talents when serving customers.

EVENTS AFTER THE REPORTING PERIOD

In the meeting of the Board of Directors held on 30 March 2023, the Board of Directors proposed the payment of a final dividend of RMB0.30 per share, amounting RMB60,814,350 (tax inclusive), for the year ended 31 December 2022. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming AGM.

USE OF NET PROCEEDS FROM LISTING

The H shares of the Company (the "**H Share(s)**") were officially listed on the Stock Exchange on 13 July 2022. The net proceeds from the global offering of the H Shares (the "**Global Offering**") (including proceeds from the additional H Shares issued and allotted pursuant to the exercise of the over-allotment option, and deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and exercise of the over-allotment option) were approximately HK$276.3 million (equivalent to RMB236.9 million) (the "**Net Proceeds**"). The Company will utilise the Net Proceeds in accordance with the proportion of use allocation as stated under the section headed "Future Plans and Use of Proceeds" in the Prospectus. As of 31 December 2022, the details of the use of the above Net Proceeds were as follows:

		Net Proceeds from the Global Offering and use of proceeds			
Designated use of Net Proceeds	**Approximate % of Net Proceeds from the Global Offering**	**Amount allocated** *(RMB'000)*	**Utilised** *(RMB'000)*	**Unutilised** *(RMB'000)*	**Expected to be utilised prior to the following date**
Enhance the sales volume of PNG by upgrading our pipeline network and operational facilities	20%	47,400	47,400	0	
Expand our business to other geographical areas through strategic acquisition	30%	71,000	0	71,000	By the end of 2024
Expand into distributed photovoltaic power generation business	30%	71,000	20,774	50,226	By the end of 2023
Promote the use of heat energy from vapour generated by our natural gas through natural gas boilers	10%	23,800	0	23,800	By the end of 2024
Working capital and general corporate purposes	10%	23,700	23,700	0	
Total	100%	236,900	91,874	145,026	

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Hua (汪驊), aged 46, is an executive Director and the chairman of the Board who is responsible for the overall day-to-day management of the business operation of the Group. Mr. Wang joined the Company in January 2020 as the chief financial officer. Mr. Wang was appointed a Director, the chairman of the Board and the legal representative of the Company on 21 April 2021 and was re-designated as an executive Director on 9 June 2021. Mr. Wang is also the chairman of the board and the legal representative of Xinao Development, Zhongshihua Xinao, Huran New Energy, Huxun Fuel New Energy and Huqingran New Energy.

Mr. Wang has extensive experience in financial management. From December 1999 to May 2003, Mr. Wang served as a staff member of Huzhou Finance Bureau* (湖州市財政局). From May 2003 to March 2011, Mr. Wang successively served as a staff member and the deputy head of the integrated department of Huzhou Local Taxation Inspection Bureau* (湖州市地税稽查局). From March 2011 to June 2013, Mr. Wang served as a deputy chief of the asset management department of Huzhou Finance Bureau* (湖州市財政局). From June 2013 to June 2014, Mr. Wang served as the vice-chairman of Huzhou Wuxing District Finance Bureau* (湖州市吳興區財政局). From June 2014 to January 2019, Mr. Wang served as the chairman of the finance department of Huzhou Economic and Technological Development Zone Management Committee* (湖州經濟技術開發區管委會). From January 2019 to May 2019, Mr. Wang served as a principal staff member of Huzhou Economic Development Zone Management Committee* (湖州經濟開發區管理委員會). From September 2019 to January 2020, Mr. Wang was a deputy sales general manager of the sales department of Huzhou Zhicheng Road Branch of DFZQ* (東方證券股份有限公司湖州志成路支行), a securities branch principally engaged in securities brokerage.

Mr. Wang graduated from Zhejiang Institute of Finance and Economics* (浙江財經學院) (currently known as Zhejiang University of Finance & Economics* (浙江財經大學)) in the PRC with a professional certificate in taxation in July 1999. He has been a senior economist in the PRC since 2021.

Ms. Su Li (蘇莉), aged 50, is an executive Director who is responsible for the overall business strategies and operation of the Group. Ms. Su was appointed as a Director on 3 April 2014 and re-designated as an executive Director on 9 June 2021. Ms. Su is also a director of Xinao Development, Xinao Energy Development, Nanxun Xinao, Nanxun Xinao Development and Deqing Xinrui.

Ms. Su has extensive experience in business management in the gas industry. From July 2002 to March 2003, she successively interned in ENN Energy and Bengbu Xinao Gas Company Limited* (蚌埠新奧燃氣有限公司), a subsidiary of ENN Energy principally engaged in investment in gas pipeline infrastructure. From April 2003 to April 2012, Ms. Su worked successively as senior project manager and deputy general manager of two coordination centres of ENN Energy in Zhejiang Province. From December 2010 to August 2012, Ms. Su served as the general manager of the Company. From April 2012 to March 2021, Ms. Su successively served as the acting general manager of Zhejiang-Shanghai region, and assistant to chief executive officer and general manager of ENN Energy in Zhejiang province. Ms. Su has been a senior vice president and the convenor of Zhejiang business co-ordination group of ENN Energy since February 2018 and March 2021, respectively.

Ms. Su graduated from Shanghai Jiao Tong University* (上海交通大學) in the PRC through distance learning with an executive master’s degree in business administration in December 2015.

Mr. Pan Haiming (潘海明), aged 58, is an executive Director of the Company who is responsible for the overall business strategies and operation of the Group. Mr. Pan was appointed as a Director, the chairman of the Board and the legal representative of the Company on 2 April 2014. Mr. Pan ceased to be the chairman of the Board and the legal representative on 21 April 2021 and was re-designated as an executive Director on 9 June 2021. Mr. Pan is also a director of Xinao Development, Xinao Energy Development, Nanxun Xinao and Nanxun Xinao Development.

Mr. Pan has extensive experience in business administration. From August 1986 to February 1993, Mr. Pan worked in Huzhou Real Estate Management Office* (湖州市房地產管理處), which was principally engaged in real estate management in Huzhou. From March 1993 to December 2013, Mr. Pan successively served as the deputy manager and manager of the budget and final accounts department, chief economist and the deputy general manager responsible for construction projects and financials of City Group, the controlling shareholder of the Company. Since March 2021, Mr. Pan has been deputy secretary of the commission for discipline inspection of City Group.

Mr. Pan graduated from Tongji University* (同濟大學) in the PRC with a professional certificate in industrial and civil construction through distance learning in December 1993. He has been a senior cost engineer in the PRC since January 2011.

NON-EXECUTIVE DIRECTORS

Mr. Liu Jianfeng (劉建鋒), aged 46, is a non-executive Director. Mr. Liu was appointed as a non-executive Director on 6 February 2023, and is currently also the vice chairman of the Board.

Mr. Liu successively received a Bachelor's degree in Economics from the Central University of Finance and Economics* (中央財經大學) and a Master's degree in Law from the China University of Political Science and Law* (中國政法大學) for the period from 1995 to 2003 and a Master of Business Administration and a Master of Laws from Boston College in the United States of America from 2012 to 2014. He is currently a member of the CPA Australia. Prior to joining the Group, he held key financial management positions in several companies in the energy industry, and participated in and completed a number of large-scale multinational M&A transactions. He also served in domestic leading law firms, and has the qualification of PRC lawyer and corporate legal consultant. He has over 20 years of experience in enterprise operation, financial management, domestic and international investment, and M&A. He has worked at ENN Energy since September 2018 till now, and currently is an executive director and the president of the ENN Energy.

Ms. Wu Zhanghuan (吳張歡), aged 49, is a non-executive Director. Ms. Wu was appointed as a Director on 27 November 2019 and re-designated as a non-executive Director on 9 June 2021. Ms. Wu is also a director of Xinao Development.

Ms. Wu has extensive experience in financial management. From August 1995 to August 1996, Ms. Wu served as a teacher in The Second High School of Huzhou* (湖州市第二中學). From August 1996 to September 1997, Ms. Wu was a staff member of Huzhou Finance and Taxation Bureau Chengxi Office* (湖州市財税局城西財税所). From September 1997 to February 2011, Ms. Wu successively served as a staff member of the budget department, economic development section and the deputy director's office of economic development section of Huzhou Finance Bureau* (湖州市財政局) and from February 2011 to August 2019, Ms. Wu successively served as the deputy director and director of economic development department and the director of administration and politics department. Since August 2019, Ms. Wu served as a deputy general manager of City Group, the controlling shareholder of the Company. Since March 2020, Ms. Wu has served as a director of Bank of Huzhou Co., Ltd.* (湖州銀行股份有限公司). Ms. Wu joined the Company as a Director on 27 November 2019.

Ms. Wu graduated from Zhejiang Normal University* (浙江師範大學) in the PRC with a bachelor's degree in physics education (with a minor in computer application) in July 1995. She has been conferred the qualification of intermediate economist in the PRC in November 2000 by the Ministry of Personnel of the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Li Hsien Leslie (張立憲), aged 68, is an independent non-executive Director. Mr. Chang was appointed as the independent non-executive Director on 11 May 2021.

Mr. Chang has extensive experience in company operations, investment management, finance and professional accounting. From 1984 to 1994, Mr. Chang worked at the United States offices of KPMG (formerly known as KPMG Peat Marwick), where his last position was partner and director of Chinese Practice. Mr. Chang joined CITIC Pacific Limited (currently known as CITIC Limited) (stock code: 267) in August 1994 and was executive director, deputy managing director and finance director when he resigned in October 2008, where he had overall responsibilities in accounting and financial management functions of the CITIC Pacific Group and engaged in management of several businesses of the group. From November 2006 to October 2008, Mr. Chang was an alternate director of the board of Cathay Pacific Airways Limited (stock code: 293). Mr. Chang had a temporary break between October 2008 and March 2010. In April 2010, Mr. Chang was invited to join HKC (Holdings) Limited, the shares of which were listed on the Stock Exchange prior to its privatisation and withdrawal of listing in June 2021 (stock code: 190), as the managing director and chief financial officer, and from September 2010 to December 2013, Mr. Chang was an executive director and the chief executive officer of the company who was overall responsible for the management and operation of the group, as well as the vice-chairman of the board and executive director of the group's subsidiary listed on the Stock Exchange, China Renewable Energy Investment Limited (stock code: 987) during the same period. From March 2011 to October 2014, Mr. Chang served as an independent non-executive director of Pou Sheng International (Holdings) Limited listed on the Stock Exchange (stock code: 3813), where he also served as a member of the audit committee of the board.

Since March 2014, Mr. Chang has served as the senior advisor of CITIC Capital (Holdings) Limited. Since September 2020, Mr. Chang has served as an independent director of Canadian Solar Inc., a solar energy company listed on NASDAQ in the United States (stock code: CSIQ) and a director of CSI Solar Co., Ltd.* (阿特斯陽光電力集團股份有限公司), its subsidiary in the PRC.

Mr. Chang graduated from George Mason University in the United States with a bachelor's degree of business administration (major in accountancy) in May 1984. He became a member of the American Institute of Certified Public Accountants in December 1988, the Hong Kong Institute of Certified Public Accountants in February 1989 and the New York State Society of Certified Public Accountants in February 1990, and became a Chartered Global Management Accountant in July 2012.

Dr. Lau Suet Chiu Frederic (劉雪樵), aged 71, is an independent non-executive Director. Dr. Lau was appointed as the independent non-executive Director on 11 May 2021. Dr. Lau has extensive experience in financial regulation and management. From 1994 to 2004, Dr. Lau served in the Hong Kong Monetary Authority successively as a senior manager responsible for derivatives matters, the head of Banking Policy Division, the chief representative in New York and the director of the Banking Supervision Division. From 2005 to 2011, Dr. Lau was an executive director of Dah Sing Bank, where he was responsible for risk management functions of the bank. From March 2007 to January 2011, Dr. Lau served as an executive director of Dah Sing Banking Group Limited, a banking company listed on the Stock Exchange (stock code: 2356), and later served as a non-executive director between January 2011 and May 2011. From May 2011 to January 2014, Dr. Lau was an independent director of Shenzhen Development Bank Co., Ltd.* (深圳發展銀行股份有限公司) (subsequently renamed as Ping An Bank Co., Ltd.* (平安銀行股份有限公司)), a commercial bank. Since October 2017, Dr. Lau has served as a member of the global advisor committee, and subsequently the vice chairman of AMTD Group Company Limited, the holding company of AMTD International Inc. ("AMTD"), a Hong Kong financial services group listed on the New York Stock Exchange (stock code: HKIB), chairman of the executive committee of AMTD Group Company Limited and the president and a director of AMTD Digital Inc., a company listed on the New York Stock Exchange on 15 July 2022 (stock code: HKD), a subsidiary of AMTD. Dr. Lau resigned from all the executive and non-executive positions at AMTD Digital Inc. and AMTD Group on 30 September 2022. From May 2019 to October 2020, Dr. Lau served as the chief executive officer of Airstar Bank Limited, a Hong Kong virtual bank of which AMTD is a shareholder, and was a director of the bank. Dr. Lau resigned the position as a director of Airstar Bank on 10 February 2023.

Dr. Lau graduated from the University of South Australia in Australia with a doctor of philosophy in business management in June 2004.

Mr. Zhou Xinfa (周鑫發), aged 67, is an independent non-executive Director. Mr. Zhou was appointed as the independent non-executive Director on 11 May 2021. Mr. Zhou has extensive experience in energy research and engineering. For example, he was appointed as the director of provincial key laboratory at Zhejiang Energy and Nuclear Technology Application Research Institute* (浙江省能源與核技術應用研究院), which is principally engaged in research and development of new energy and nuclear technology, in August 2013. Mr. Zhou has served as an independent director in Hengsheng Energy Co., Ltd.* (恒盛能源股份有限公司), a Chinese energy company listed on the National Equities Exchange and Quotations (stock code: 872062) and an independent non-executive director in JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司), a gas company based in Jiaxing City, Zhejiang Province listed on the Stock Exchange (stock code: 9908) since July 2019 and June 2021, respectively.

Mr. Zhou graduated from Zhejiang University* (浙江大學) in the PRC with a master's degree in engineering in January 1992. He has been conferred the qualification of professor-level senior engineer in December 2006 by the Department of Personnel of Zhejiang Province* (浙江省人事廳).

SUPERVISORS

Ms. Liu Fei (柳斐), aged 46, is a Supervisor and chairman of the board of Supervisors who is responsible for supervision of the Board and senior management.

Ms. Liu has extensive experience in fire safety and asset management. From July 1999 to December 2016, Ms. Liu successively served as staff officer, engineer, deputy head of fire prevention and supervision office, head of audit division, captain and instructor of the Huzhou branch of Zhejiang Province Fire Corps of Chinese People's Armed Police Force. From December 2016 to January 2019, Ms. Liu worked successively as a deputy general manager and general manager in the asset management division of City Group, a state-owned enterprise principally engaged in urban infrastructure investment and construction in Huzhou and the controlling shareholder of the Company. From September 2017 to January 2019, Ms. Liu was the general manager of Huzhou City Investment Asset Management Company Limited* (湖州市城投資產管理有限公司), a wholly-owned subsidiary of City Group principally engaged in asset management. Since January 2019, Ms. Liu has served as the general manager of human resources department of City Group. Since December 2018, she has served as a Supervisor of the Company.

Ms. Liu graduated from Zhejiang University* (浙江大學) in the PRC with a bachelor's degree in law in June 1999. She has been an engineer specialising in construction management in the PRC since October 2017.

Mr. Cai Rui (蔡銳), aged 48, is a Supervisor of the Company who is responsible for supervision of the Board and senior management.

Mr. Cai has extensive experience in legal and compliance matters. From November 2006 to April 2007, Mr. Cai interned at the legal centre of ENN Group. From April 2007 to January 2008, Mr. Cai served as a senior legal manager of the risk management office in ENN Group. Since January 2008, Mr. Cai has been working in ENN Energy, a substantial shareholder of the Company, where he successively served as the senior legal manager and director of contract management of legal department, senior attorney and deputy chief of risk management department, deputy chief and chief of legal department and deputy convenor of the legal matter empowerment group. He is currently the legal matters professional convenor of the legal matter and compliance empowerment group of ENN Energy. Since December 2018, Mr. Cai has served as a Supervisor of the Company, and a supervisor of Nanxun Xinao and Nanxun Xinao Development, respectively.

Since September 2021, he has also served as the supervisor of Deqing Xinrui. Mr. Cai graduated from Xi'an Jiaotong University* (西安交通大學) in the PRC with a bachelor's degree in economic law in July 1998. He obtained the legal professional qualification certificate in the PRC in February 2005.

Mr. Xu Guoxin (徐國新), aged 52, is an employee representative Supervisor of the Company who is responsible for the operational management of our gas pipeline network and supervision of the Board and senior management.

Mr. Xu has extensive experience in gas project operations. From December 1986 to October 2005, Mr. Xu served successively as a staff member and deputy manager in Huzhou Coal Gas Company Pipeline Liquified Gas Branch* (湖州市煤氣公司管道液化氣分公司), which was principally engaged in the supply of PNG in Huzhou area. Mr. Xu joined the Company since November 2005, where he successively served as deputy chief and chief of engineering department, and was promoted to his current position of chief of operations department in September 2012. He was appointed as the employee representative Supervisor of the Company on 1 April 2021.

Mr. Xu attended an online course held by Beijing Foreign Studies University* (北京外國語大學) in the PRC and was awarded a professional certificate in business enterprise management in January 2021.

SENIOR MANAGEMENT

Mr. Li Haixiao (李海笑), aged 45, is the general manager of the Company who is responsible for the overall management of the business operations of the Group. He is also the vice chairman of Huran New Energy, the general manager of Xinao Development and the chairman of Nanxun Xinao and Nanxun Xinao Development.

Mr. Li has extensive experience in management in the gas industry. He had spent his entire career working in companies principally engaged in supply of gas in the PRC. From February 2003 to December 2005, Mr. Li worked as a manager in the production and engineering departments of Nanjing Gaochun Towngas China Company Limited* (南京高淳港華燃氣有限公司) (then known as Nanjing Baijiang Pipe Gas Company Limited* (南京百江管道燃氣有限公司)). From February 2006 to November 2009, Mr. Li served as the director of business development of the Nanjing Office of The Hong Kong and China Gas Company Limited, a gas, water supply and energy company in Hong Kong and the PRC listed on the Stock Exchange (stock code: 3), where he was responsible for developing the company's business in Nanjing, the PRC. From November 2009 to August 2012, Mr. Li served as the general manager of Suining Towngas China Company Limited* (睢寧港華燃氣有限公司), a gas company. From September 2012 to August 2013, Mr. Li worked as the standing deputy general manager of Taizhou Towngas China Company Limited* (泰州港華燃氣有限公司), a gas company. Mr. Li joined ENN Group in September 2013 as a temporary staff member of human resources department. From December 2013 to December 2018, Mr. Li successively served as assistant to general manager, general manager of Ningbo area and general manager of ENN Group's Zhejiang marketing and sales centre. Mr. Li joined the Company in January 2019 and has since served as the general manager of Nanxun Xinao. He was further appointed as the general manager of the Company in January 2020, the chairman of Nanxun Xinao and Nanxun Xinao Development in February 2020, the chairman of Deqing Xinrui in September 2021 and the vice chairman of Huran New Energy in April 2022.

Mr. Li graduated from Chongqing University* (重慶大學) in the PRC with a bachelor's degree in urban gas engineering in June 2002, and he has been a senior economist in the PRC since 2022.

Ms. Sun Xiaohui (孫曉慧), aged 47, is the financial controller of the Company who is responsible for the overall financial and investments management of the Group.

Ms. Sun has extensive experience in financial management. From December 1995 to March 1996, Ms. Sun worked as an accountant in Huzhou Architectural Design Research Institute* (湖州市建築設計研究院). From March 1996 to December 2002, Ms. Sun served as an accounting personnel in Huzhou Construction Industry Management Office* (湖州建築業管理處) of the Huzhou Municipal People's Government. From January 2003 to May 2013, Ms. Sun worked successively as accountant and deputy manager of the finance department of Huzhou Urban Construction Investment Group Company Limited* (湖州市城建投資集團有限公司) ("Huzhou Urban Construction"), a wholly-owned subsidiary of City Group, the controlling shareholder of the Company, primarily engaged in infrastructure investment in Huzhou. From May 2013 to June 2016, Ms. Sun served as a manager of the financing department of Huzhou Urban Construction Development Centre* (湖州市城市建設發展中心). From June 2016 to September 2017, Ms. Sun returned to Huzhou Urban Construction and served as a deputy general manager. From September 2017 to April 2021, Ms. Sun successively served as deputy chief of the safety and security office and deputy general manager of planning and finance department of City Group. Ms. Sun joined the Company in April 2021 and has since served as the financial controller of the Company.

Ms. Sun graduated from Hangzhou Institute of Commerce* (杭州商學院) (currently known as Zhejiang Gongshang University* (浙江工商大學)) in the PRC with a professional certificate in financial accounting in July 1995 and from Zhejiang Gongshang University with a master's degree in project management in October 2013. She has been a senior accountant since April 2010.

Mr. Tang Chunhui (湯春輝), aged 42, is a standing deputy general manager of the Company and the secretary of the Board who is responsible for management of the general administration office and services supervisory office, business development, project tender management and Board secretarial matters. He is also the vice-chairman and a standing deputy general manager of Xinao Energy Development, and the general manager of Huran New Energy, Huxun Fuel New Energy and Huqingran New Energy.

Mr. Tang has extensive experience in customer service management. Mr. Tang joined the Company in April 2005 shortly after graduation from university, and has successively held positions such as intern in the marketing department, administrative assistant, deputy head and head of the general office, assistant to general manager, head of customer service department and deputy general manager. Mr. Tang was promoted to the current position of member of the party branch of the Company, deputy general manager and discipline inspection team leader in August 2016, February 2019 and September 2020, respectively. Mr. Tang was appointed as the secretary of the Board in April 2021. Mr. Tang was also promoted to the standing deputy general manager in August 2022. Since its establishment in April 2019, Mr. Tang has been the vice-chairman and a standing deputy general manager of Xinao Energy Development. Mr. Tang was appointed as the general manager of Huran New Energy, Huxun Fuel New Energy and Huqingran New Energy in April 2022, July 2022 and October 2022, respectively.

Mr. Tang graduated from Huzhou University* (湖州師範學院) in the PRC with a bachelor's degree in computer science and technology in July 2004. He has been a level one enterprise human resources professional in the PRC since July 2012 and a senior economist in the PRC since 2021.

Ms. Jin Jinyun (金錦雲), aged 52, is a deputy general manager of the Company who is responsible for the operation and safety management of the Group's gas pipeline network.

Ms. Jin has extensive experience in engineering project management. From July 1997 to November 2004, Ms. Jin was a customer service manager of Hainan Minsheng Gas Group Co., Ltd.* (海南民生燃氣集團股份有限公司), which principally engaged in the provision of natural gas and related services in Hainan Province, the PRC. From December 2004 to August 2017, Ms. Jin successively worked as a manager, assistant to general manager, head of pipeline network operations department and a deputy general manager of Yongkang Xinao Gas Company Limited* (永康新奧燃氣有限公司), a subsidiary of ENN (China) principally engaged in the provision of natural gas and related services in Yongkang City, Zhejiang Province, the PRC. She joined the Company in September 2017 and has since served as a deputy general manager.

Ms. Jin graduated from Hainan University* (海南大學) in the PRC with a bachelor's degree in chemical engineering in July 1996. She has been a senior economist in the PRC since 2021.

Mr. Li Pang (李龐), aged 52, is a deputy general manager of the Company who is responsible for the gas pipeline engineering construction and station management of the Group.

Mr. Li has extensive experience in gas engineering construction. He engaged in project development at the project department of Xinao Gas Shanghai Regional Coordination Centre* (新奧燃氣上海區域協調中心) from February 2002 to February 2003; served as a planning statistician in the planning and finance department of Quzhou Xinao Gas Company Limited* (衢州新奧燃氣有限公司) from March 2003 to June 2003; served as a budget officer in the planning and finance department of Jinhua Xinao Gas Company Limited* (金華新奧燃氣有限公司) from July 2003 to February 2004; served as the deputy director of the engineering technology department of Jinhua Xinao Gas Company Limited from March 2004 to June 2005; served as the director of the engineering technology department of Jinhua Xinao Gas Company Limited from June 2005 to June 2006; served as the director of the operations department of Jinhua Xinao Gas Company Limited from June 2006 to June 2007; served as the chief of the security department of Jinhua Xinao Gas Company Limited from July 2007 to December 2007; served as the assistant to general manager, chief of the security department (concurrently held from January 2008 to January 2009), and director of the engineering technology department (concurrently held from March 2008 to January 2009) of Jinhua Xinao Gas Company Limited from January 2008 to August 2017; served as the deputy general manager of Jinhua Xinao Gas Company Limited from September 2017 to November 2017; served as the deputy general manager of Sinopec Zhejiang Xinao (Zhoushan) Gas Co., Ltd.* (浙石化新奧(舟山)燃氣有限公司) from December 2017 to February 2018; served as the deputy general manager of Zhoushan Blue Flame Gas Co., Ltd.* (舟山市藍焰燃氣有限公司) from March 2018 to September 2020; served as the acting general manager (concurrently held) of Zhoushan Dinghai Xinao Energy Development Co., Ltd.* (舟山市定海新奧能源發展有限公司) from August 2019 to September 2020; he joined the Company in September 2020 and has served as the deputy general manager.

Mr. Li graduated from Sichuan Architecture Materials Industry College* (四川建築材料工業學院) (currently known as Southwest University of Science and Technology* (西南科技大學)) with a professional certificate in machinery manufacturing technology and equipment in July 1992, and from Tongji University with a master's degree in engineering in June 2017. He has been a senior engineer since November 2013.

Mr. Shi Xiangjun (施向軍), aged 55, is the general manager of Nanxun Xinao who is responsible for the overall management of the business operations of Nanxun Xinao.

Mr. Shi has extensive experience in management in the gas industry. From December 1986 to February 2003, he worked as a business manager in Huzhou Metal Materials Company Limited* (湖州市金屬材料有限公司), which is principally engaged in the sale of metals and metal hardware in Huzhou. Mr. Shi joined Huzhou Natural Gas Company Limited* (湖州市天然氣有限公司), which was principally engaged in the supply of gas in Huzhou, in February 2003 as a staff member. He joined the Company in September 2004 and served as a deputy chief of marketing department and the chief of customer services department. From September 2012 to July 2014, he served as a deputy general manager of Nanxun Xinao. From July 2014 to August 2020, he served successively as assistant to general manager and the head of construction department of the Company. Since August 2020, he has served as the acting general manager of Nanxun Xinao. Since August 2021, he has served as the general manager of Nanxun Xinao, and since September 2021, he has also served as the general manager of Deqing Xinrui.

Mr. Shi graduated from China University of Geosciences* (中國地質大學) in the PRC through an online course with a bachelor's degree in economics in April 2005. He has been conferred the qualification of senior economist specialising in business administration in December 2020 by the Zhejiang Province Human Resources and Social Security Department* (浙江省人力資源和社會保障廳).

JOINT COMPANY SECRETARIES

Mr. Tang Chunhui ("**Mr. Tang**") has been appointed as the joint company secretary of the Company on 9 June 2021. Mr. Tang is one of the senior management. Please refer to the paragraph headed "Senior Management" above for his biography.

Ms. Lee Mei Yi ("**Ms. Lee**") has been appointed as the joint company secretary with effect from 11 August 2022. She has been an Executive Director of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Lee has over 25 years of experience in the corporate secretarial field, holds an Honours Bachelor's Degree in Accountancy and is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

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

PRINCIPAL BUSINESSES

The Group's principal businesses include the sale of gas, mainly PNG under concession rights granted to the Group by government authorities in Huzhou, the provision of services to construct and install end-user pipeline network and gas facilities and others, including sale of household gas appliances.

BUSINESS REVIEW

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

RESULTS

The Group's profits for the year ended 31 December 2022 and the Group's financial position as at 31 December 2022 are set out in the consolidated financial statements on pages 65 to 159 of this annual report.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, 8 June 2023. Shareholders may refer to the notice convening the AGM dispatched by the Company for details regarding the AGM.

FINAL DIVIDEND

The Board resolved to propose the payment of a final dividend of RMB0.30 (tax inclusive) per share for the Year (the "**2022 Final Dividend**") with an aggregate amount of RMB60,814,350 (tax inclusive) to Shareholders (whether holders of H Shares or holders of Domestic Shares) of the Company with their names appearing on the Company's register of members on Thursday, 15 June 2023, subject to the approval by the Shareholders of the Company at the AGM. Subject to the passing of the relevant resolution at the AGM, the 2022 Final Dividend is expected to be paid around Wednesday, 28 June 2023.

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

TAX

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the 2022 Final Dividend to H Shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other enterprise nominees or trustees, or other organizations and groups) with their names appearing on the H Share register of members on Thursday, 15 June 2023.

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

The Company will determine the residential status of the individual H Shareholders based on the registered address as recorded in the H Share register of members of the Company on Thursday, 15 June 2023. If the residential status of individual H Shareholders is not the same as their registered address or if the individual H Shareholders would like to apply for a refund of the additional amount of tax that has been withheld, the individual H Shareholders shall notify and provide relevant supporting documents to the Company on or before Tuesday, 13 June 2023. Upon the supporting documents being reviewed by the relevant tax authorities, the Company will follow the guidance from the tax authorities to implement relevant withholding provisions and arrangements. Individual H Shareholders may either personally or appoint an agent to handle the relevant procedures in accordance with the relevant requirements under the tax treaties notice if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights of H Shareholders to attend and vote at the AGM and their entitlements to the 2022 Final Dividend, the H Share register of members of the Company will be closed in the following periods, the details of which are set out as below:

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

Latest time to lodge transfer documents of shares for registration	4:30 p.m. on Friday, 2 June 2023
Closure of register of members (both days inclusive)	Monday, 5 June 2023 to Thursday, 8 June 2023
Record date	Thursday, 8 June 2023

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

Latest time to lodge transfer documents of shares for registration	4:30 p.m. on Tuesday, 13 June 2023
Closure of register of members (both days inclusive)	Wednesday, 14 June 2023 to Thursday, 15 June 2023
Record date	Thursday, 15 June 2023

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 160 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

As of 31 December 2022, the total share capital of the Company was RMB202,714,500, divided into 202,714,500 Shares (including 150,000,000 Domestic Shares and 52,714,500 H Shares) with a nominal value of RMB1.00 each. Details of movements of the Company's share capital during the year ended 31 December 2022 are set out in note 32 to the consolidated financial statements of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2022 are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report.

As at 31 December 2022, the distributable reserve of the Company was approximately RMB0.324 million.

BANK BORROWINGS AND OTHER BORROWINGS

As at 31 December 2022, the Company and its subsidiaries had no bank borrowings and other borrowings.

PRE-EMPTIVE RIGHTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Our business is subject to the development of PRC government policies and any future changes in laws or regulations or enforcement policies could materially and adversely affect our business, operating results and financial condition.

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

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

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

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

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

DIRECTORS

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

Executive Directors

Mr. Wang Hua *(Chairman)*
Ms. Su Li
Mr. Pan Haiming

Non-executive Directors

Mr. Liu Jianfeng *(Appointed on 6 February 2023)*
Mr. Zhang Yuying *(Resigned on 6 February 2023)*
Ms. Wu Zhanghuan

Independent Non-executive Directors

Mr. Chang Li Hsien Leslie
Dr. Lau Suet Chiu Frederic
Mr. Zhou Xinfa

No Director will be proposed for re-election at the forthcoming AGM.

SUPERVISORS

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

Ms. Liu Fei *(Chairman)*
Mr. Cai Rui
Mr. Xu Guoxin

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

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

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

REMUNERATION POLICY AND DIRECTORS' AND SUPERVISORS' REMUNERATION

In compliance with the CG Code as set out in Part 2 of Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. Details of the remuneration of the Directors, Supervisors and the five highest paid individuals are set out in note 8 and note 9, respectively, to the consolidated financial statements.

There were no emoluments paid by the Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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

None of the Directors, Supervisors nor any entity connected with them had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2022.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" and note 39 to the consolidated financial statements of this annual report, no contracts of significance in relation to the Group's business between the Company, or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor contract of significance in relation to the Group's business whether or not for provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during or at the end of the year ended 31 December 2022.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACT

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

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

As at 31 December 2022, so far as is known to the Directors, none of the Directors, Supervisors or chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

Interests and short positions in the Shares and underlying Shares of the Company:

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
City Group (Note 4)	Domestic Shares	Beneficial owner	89,457,540 (L)	59.64%	44.13%
Huzhou SASAC (Note 4)	Domestic Shares	Interest in a controlled corporation	89,457,540 (L)	59.64%	44.13%
ENN (China) (Note 5)	Domestic Shares	Beneficial owner	60,542,460 (L)	40.36%	29.87%
ENN Energy (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
SDIC Taikang Trust Co., Ltd.* (國投泰康信託有限公司) (Note 6)	H Shares	Trustee	15,000,000 (L)	28.46%	7.40%
Orient Fund Management Co., Ltd.* (東方基金管理股份有限公司) (Note 7)	H Shares	Trustee	8,000,000 (L)	15.18%	3.95%
NEW PARTNER INTL LTD (Note 8)	H Shares	Beneficial owner	3,700,000 (L)	7.02%	1.83%
Meng Erhu (蒙二虎) (Note 8)	H Shares	Interest in a controlled corporation	3,700,000 (L)	7.02%	1.83%
Wu Shuying (吳淑英) (Note 9)	H Shares	Interest of spouse	3,700,000 (L)	7.02%	1.83%
Yu Linqiang (郁林強)	H Shares	Beneficial owner	2,800,000 (L)	5.31%	1.38%
Yu Rongfang (郁蓉芳) (Note 10)	H Shares	Interest of spouse	2,800,000 (L)	5.31%	1.38%

Notes:

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

(2) The calculation of approximate percentage of Domestic Shares' shareholding in the relevant class of Shares and that of H Shares' shareholding in the relevant class of Shares are based on the total number of 150,000,000 Domestic Shares and 52,714,500 H Shares in issue as at 31 December 2022 respectively.

(3) The calculation is based on the total number of 202,714,500 Shares in issue as at 31 December 2022.

(4) City Group is wholly-owned by Huzhou SASAC. Under the SFO, Huzhou SASAC is deemed to be interested in the same number of Shares in which City Group is interested.

(5) ENN (China) is wholly-owned by ENN Energy, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688). As at 31 December 2022, based on disclosure of interest notices filed to the Stock Exchange in respect of interests of ENN Energy, no shareholder of ENN Energy controlled, directly or indirectly, one-third or more of the voting power at the general meetings of ENN Energy. Under the SFO, ENN Energy is deemed to be interested in the Shares in which ENN (China) is interested.

(6) SDIC Taikang Trust Co., Ltd.* is the trustee of SDIC Taikang Trust – Ruijin No. 35 QDII Single Fund Trust and SDIC Taikang Trust – Ruijin No. 36 QDII Single Fund Trust which hold 6,600,000 H Shares and 8,400,000 H Shares, respectively, as at 31 December 2022.

(7) Orient Fund Management Co., Ltd.* is the trustee of a private trust which holds 8,000,000 H Shares as at 31 December 2022.

(8) NEW PARTNER INTL LTD is wholly owned by Mr. Meng Erhu. Under the SFO, Mr. Meng Erhu is deemed to be interested in the same number of H Shares in which NEW PARTNER INTL LTD is interested.

(9) Ms. Wu Shuying is the spouse of Mr. Meng Erhu. Under the SFO, Ms. Wu Shuying is deemed to be interested in the same number of H Shares in which Mr. Meng Erhu is interested.

(10) Ms. Yu Rongfang is the spouse of Mr. Yu Linqiang. Under the SFO, Ms. Yu Rongfang is deemed to be interested in the same number of H Shares in which Mr. Yu Linqiang is interested.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fail to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CONNECTED TRANSACTIONS

From the Listing Date to the end of the year ended 31 December 2022, the Group did not conduct any connected transaction that was not exempt from annual reporting requirement in Chapter 14A.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group has conducted the following transactions which constitute continuing connected transactions from the Listing Date which were not exempt from the annual reporting requirement in Chapter 14A:

Supply of PNG and LNG by Ningbo Intercity to the Group

On 26 May 2022, the Company entered into a master supply agreement with Ningbo Intercity, pursuant to which the Group shall purchase from Ningbo Intercity, and Ningbo Intercity shall sell to the Group, PNG and LNG in the Operating Area for a period from 1 January 2022 to 31 December 2024 (the "**Master Supply Agreement**"). Pursuant to the Master Supply Agreement, the PNG charges shall be determined with reference to the government regulated price of PNG whereas LNG charges shall be determined with reference to the market price of LNG.

Throughout the year ended 31 December 2022, Ningbo Intercity was wholly-owned by 新奧燃氣發展有限公司 (Xinao Gas Development Company Limited*), which is in turn wholly-owned by ENN (China), a substantial shareholder of the Company. As such, Ningbo Intercity is an associate of ENN (China), and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules.

During the year ended 31 December 2022, the total PNG and LNG charges charged by Ningbo Intercity amounted to RMB483.3 million.

For details, please refer to the paragraph headed "Continuing Connected Transactions – Non-exempted Continuing Connected Transactions – Supply of PNG and LNG by Ningbo Intercity to Our Group" in the Prospectus.

Provision of Gas Pipeline Construction and Installation Services to City Group by the Group

On 19 August 2021, the Company entered into the gas pipeline construction framework agreement (the "**Framework Agreement**") with City Group, pursuant to which the Group, as supplier, shall provide gas pipeline construction and installation services (the "**Construction Services**") for real estate development projects undertaken by City Group and its subsidiaries in the Operating Area. The term of the Framework Agreement is from 1 January 2021 to 31 December 2023. Pursuant to the Framework Agreement, the service fee for the provision of the Construction Services for residential projects shall be determined in accordance with the price set by the Huzhou Municipal People's Government from time to time. For non-residential projects, the service fee shall be determined based on the manpower and materials as agreed on a project by project basis, which vary with factors such as the length of pipeline constructed and the size of gas facilities. The service fee shall be determined in accordance with the unit price for manpower and each type of materials set by the Zhejiang Provincial Government from time to time.

Throughout the year ended 31 December 2022, City Group was the controlling shareholder of the Company, hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules.

During the year ended 31 December 2022, the total charges for provision of gas pipeline construction and installation services to City Group by the Group amounted to RMB6.5 million.

For details, please refer to the paragraph headed "Continuing Connected Transactions – Non-exempted Continuing Connected Transactions – Provision of Gas Pipeline Construction and Installation Services to City Group by Our Group" in the Prospectus.

Installation of Distributed Photovoltaic System and Provision of Electricity to City Group by the Group

On 1 June 2021, the Company entered into a framework agreement with City Group (the "**PV Framework Agreement**"), pursuant to which the Group is permitted to install distributed photovoltaic systems in properties owned by City Group, and the Group shall first supply the electricity generated by such system to City Group before the Group sells any unutilised electricity generated by such system to the State Grid Corporation of China (國家電網公司). The term of the PV Framework Agreement is from 1 June 2021 to 31 December 2023.

Throughout the year ended 31 December 2022, City Group was the controlling shareholder of the Company, hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules.

During the year ended 31 December 2022, the total charges charged for the installation of distributed photovoltaic system and provision of electricity to City Group by the Group amounted to RMB1.3 million.

For details, please refer to the paragraph headed "Continuing Connected Transactions – Non-exempted Continuing Connected Transactions – Installation of Distributed Photovoltaic System and Provision of Electricity to City Group by Our Group" in the Prospectus.

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

CONFIRMATION BY AUDITOR

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

INTERNAL CONTROLS

The Group shall implement the following measures to monitor connected transactions and continuing connected transactions:

(a) maintaining an updated list of connected persons of the Company and adhering to the connected transaction management policy (關連交易管理制度);

(b) maintaining proper filing for potential and actual transactions and documents recording the review and/or approval processes;

(c) to ensure that the prices and terms of continuing connected transactions are fair and reasonable, on normal commercial terms and no less favourable to the Group than those offered to or quoted by independent third parties, the Group shall consider the below in the following order depending on the availability:

i. PRC government-regulated or government guidance price;

ii. market price, including domestic market price or international market price;

iii. cost-plus basis, the mark-up rate shall be determined by negotiation between the parties;

iv. transaction terms no less exacting than the ones provided to or by independent third parties, including price and payment terms etc.

The Group shall obtain quotations from independent third parties to understand and/or verify the above before going through internal contract approval processes;

(d) the person-in-charge of the finance department shall review the table containing the actual transaction amounts and prices for continuing connected transactions compiled by the relevant business unit at least on a monthly basis;

(e) continuing connected transactions shall be reported to the audit committee of the Company (which comprises all independent non-executive Directors) at least twice a year;

(f) the audit committee of the Company shall review continuing connected transactions at least twice a year in relation to, among others, whether the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and whether they are carried out in accordance with the relevant agreements and on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and

(g) through reviewing the information gathered from the finance department of the Company, the external auditor of the Company will report to the Board at least annually on the continuing connected transactions of the Group.

The internal control measures above can allow the Company to effectively monitor the connected transactions and continuing connected transactions, where applicable, and to ensure the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

MATERIAL LITIGATION

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the total revenue attributable to the Group's five largest customers was approximately 24.19%, and the revenue attributable to the Group's largest customer from the sales was approximately 12.66%.

During the year ended 31 December 2022, the total purchases attributable to the Group's five largest suppliers was approximately 92.79%, and the purchase attributable to the Group's largest supplier was approximately 31.52%. Among the five largest suppliers, Ningbo Intercity was the third largest supplier during the year ended 31 December 2022.

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

EMPLOYEES

The Group has always attached great importance to the human resources management. The Group provides employees with training opportunities, good career development prospects and growth opportunities. The Group also attaches great importance to the physical and mental development of employees.

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

As at 31 December 2022, the male-to-female ratio for all the employees was approximately 3.1 to 1. Although the Group recognizes the importance and benefits of gender diversity in the work environment, the Group requires a higher ratio of male employees due to the nature of the Group's business. The Group will further promote gender diversity of employees in the future where possible.

CUSTOMERS AND SUPPLIERS

The Group strives to build and maintain long-term and strong relationships with customers, so as to understand and fulfill customers' demands and enhance their satisfaction. In terms of suppliers, the Group keeps mutually beneficial and win-win partnerships with all suppliers. At the same time, the Group regularly evaluates the performance of the suppliers.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2022, the Group made charitable contributions of approximately RMB315,000 and donations of articles worth approximately RMB14,900. For further details, please refer to the Environmental, Social and Governance Report for the year ended 31 December 2022 published by the Company.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the end of the year ended 31 December 2022.

EQUITY-LINKED AGREEMENT

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

PERMITTED INDEMNITY PROVISION

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

COMPLIANCE WITH CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value. The Company will continue to review and enhance its corporate governance capacity to ensure compliance with the CG Code. From the Listing Date to the end of the year ended 31 December 2022, the Company has always complied with all code provisions as set out in the CG Code. For more details, please refer to the section headed “Corporate Governance Report” of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

As the Company conducts its business activities mainly in the PRC since its establishment, and the H Shares of the Company are listed on the Stock Exchange, the establishment and operations of the Company have to comply with the requirements under the relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2022, the Company had complied with the requirements under the relevant laws and regulations in the PRC and Hong Kong.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

AUDITOR

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

On behalf of the Board
Wang Hua
Chairman

Huzhou, Zhejiang, the PRC
30 March 2023

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period of 2022, the board of Supervisors, in strict accordance with the requirements under the Company Law, the articles of association and relevant laws and regulations, has conducted effective supervision and inspection on the lawful operation and financial situation of the Company, as well as the implementation of management system of the Company in a conscientious and accountable manner, and conscientiously performed the supervisory functions to the members of the Board of Directors and the management of the Company.

LAWFUL OPERATION OF THE COMPANY

In accordance with the relevant requirements under the Company Law, the articles of association and relevant laws and regulations, the board of Supervisors of the Company supervised the convening procedures and resolution matters of the general meetings and the Board of the Company in 2022, the implementation of resolutions of the general meetings by the Board, performance of duties by the senior management of the Company and implementation of the management system of the Company, and attended the general meetings and Board meetings.

The board of Supervisors believes that: the Board of Directors of the Company can standardize its operations in strict accordance with the requirements of the Company Law, the Listing Rules and other relevant laws and regulations and the articles of association, make scientific decisions, and carefully implement all the resolutions of the general meetings. The Company has established a relatively complete internal control system. When performing their duties, the Directors and senior management of the Company can be diligent and dutiful in strict accordance with the provisions of national laws and regulations and the articles of association, and there are no behaviors violating the laws and regulations and the articles of association or damaging the interests of the Company.

FINANCIAL ACTIVITIES OF THE COMPANY

During the Reporting Period, the board of Supervisors has carefully reviewed the financial statements and financial information of the Company during the Reporting Period. According to the audit report issued by Ernst & Young, the board of Supervisors believes that: the financial report of the Company for the 2022 can give a true and object view of the financial position and operating results of the Company. The preparation and review procedures of the report has complied with various provisions of the laws, regulations, the articles of association and internal management system of the Company; the content and format of the report are consistent with all the provisions, and no behaviors violating the confidentiality provisions have been found among the personnel who have participated in the preparation and review of the report.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

RELATED PARTY TRANSACTIONS

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

PLAN FOR 2023

In 2023, the board of Supervisors of the Company will continue to follow the principle of being responsible to all the Shareholders, and perform the duties of the Supervisors in strict accordance with the requirements of laws and regulations and the articles of association. For the Company's operation activities, the board of Supervisors will further supervise the standardized operation of the Company, and focus on the construction of the risk management and internal control system of the Company to ensure the Company's implementation of effective internal control measures, as well as the sustainable, steady and healthy development of the Company.

By order of the board of Supervisors
Liu Fei
Chairman of the board of Supervisors

30 March 2023

The Board of Directors (the "**Board**") is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE CULTURE

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

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

– satisfactory and sustainable returns to Shareholders;

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

– that overall business risk is understood and managed appropriately;

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

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions in Part 2 of the CG Code as the basis of the Company's corporate governance practices.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the period from the Listing Date to 31 December 2022, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding dealings in the Company's securities by the Directors and supervisors of the Company (the "**Supervisors**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Code of Conduct**").

Having made specific enquiries to all Directors and Supervisors, they have confirmed that all of them have complied with the Code of Conduct throughout the period from the Listing Date up to 31 December 2022.

The Code of Conduct also applies to employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code of Conduct by the employees was noted by the Company throughout the period from the Listing Date up to 31 December 2022.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

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

Board Composition

The Board currently comprises eight Directors, consisting of three executive Directors, namely Mr. Wang Hua, Ms. Su Li and Mr. Pan Haiming; two non-executive Directors, namely Mr Liu Jianfeng and Ms. Wu Zhanghuan; three independent non-executive Directors, namely Mr. Chang Li Hsien Leslie, Dr. Lau Suet Chiu Frederic and Mr. Zhou Xinfa. Mr. Wang Hua is the Chairman.

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 14 to 21 of this annual report.

The relationships between the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on page 14 to 21 of this Annual Report. Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Attendance Records of Directors and Board Committee Members

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the period from the Listing Date to the end of the year ended 31 December 2022 is set out below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Wang Hua	2/2				0/0	1/1
Ms. Su Li	2/2				0/0	1/1
Mr. Pan Haiming	2/2				0/0	1/1
Mr. Zhang Yuying (Note 1)	0/2				0/0	1/1
Mr. Liu Jianfeng (Note 2)	0/0				0/0	0/0
Ms. Wu Zhanghuan	1/2				0/0	1/1
Mr. Chang Li Hsien Leslie	2/2	3/3	1/1	1/1	0/0	1/1
Dr. Lau Suet Chiu Frederic	2/2	3/3	1/1	1/1	0/0	1/1
Mr. Zhou Xinfa	2/2	3/3	1/1	1/1	0/0	1/1

Note:

1. Mr. Zhang Yuying has resigned as a non-executive Director with effect from 6 February 2023.

2. Mr. Liu Jianfeng has been appointed as a non-executive Director with effect from 6 February 2023.

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the period from the Listing Date to the end of the year ended 31 December 2022.

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

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. As the Company was newly listed on the Listing Date, only two Board meetings were held during the period from the Listing Date to the end of the year ended 31 December 2022.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

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

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

Chairman and Chief Executive Officer

There is no chief executive officer in the Company but there is a general manger in the Company. The General Manager focuses on the Company's business development and daily management and operations generally. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The positions of Chairman and General Manager are held by Mr. Wang Hua and Mr. Li Haixiao respectively.

Independent Non-executive Directors

Throughout the period from the Listing Date to 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

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

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board's performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, all Directors have completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews.

The Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

Pursuant to the Articles of Association, the Directors shall be elected at the general meetings with a term of office of three years, renewable upon re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term commencing from the date of appointment to the expiry of the current session of the Board.

Continuous Professional Development of Directors

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

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

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

The Company will organize relevant training courses for all Directors in due course at the Company's expenses.

During the year ended 31 December 2022, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities and corporate governance. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The Company has received the training records of all Directors for the year ended 31 December 2022 and up to date of this Annual Report and the training records are summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Mr. Wang Hua	A and B
Ms. Su Li	A and B
Mr. Pan Haiming	A and B
Non-executive Directors	
Mr. Zhang Yuying (Note 1)	A and B
Mr. Liu Jianfeng (Note 2)	–
Ms. Wu Zhanghuan	A and B
Independent Non-executive Directors	
Mr. Chang Li Hsien Leslie	A and B
Dr. Lau Suet Chiu Frederic	A and B
Mr. Zhou Xinfa	A and B

Note:

1. Mr. Zhang Yuying has resigned as a non-executive Director with effect from 6 February 2023.

2. Mr. Liu Jianfeng has been appointed as a non-executive Director with effect from 6 February 2023.

Type of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chang Li Hsien Leslie, Dr. Lau Suet Chiu Frederic and Mr. Zhou Xinfa. Mr. Chang Li Hsien Leslie is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings during the period from the Listing Date to the end of the year ended 31 December 2022 to review, in respect of the year ended 31 December 2022, the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The attendance of the Audit Committee meetings is set out under "Attendance Records of Directors and Board Committee Members" on page 41.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors, namely Dr. Lau Suet Chiu Frederic, Mr. Chang Li Hsien Leslie and Mr. Zhou Xinfa. Dr. Lau Suet Chiu Frederic is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the period from the Listing Date to the end of the year ended 31 December 2022 to review and make recommendation to the Board on the remuneration package of a new non-executive Director as well as the corporate remuneration policy and structure.

Details of the remuneration of Directors for the Reporting Period are set out in note 8 to the Audited Financial Statements for the year ended 31 December 2022.

The remuneration of senior management (exclusive of Directors), whose biographical details are included in section headed "Biographical Details of Directors, Supervisors and Senior Management" of this Annual Report, during the year falls within the following bands:

Remuneration (RMB)	2022 Number of Individuals
0 to 300,000	4
300,001 to 600,000	1
600,001 to 900,000	–
900,001 to 1,200,000	1
Total	6

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs.

The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 41.

Nomination Committee

The Nomination Committee consists of three independent non-executive Directors, namely Mr. Zhou Xinfa, Mr. Chang Li Hsien Leslie and Dr. Lau Suet Chiu Frederic. Mr. Zhou Xinfa is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and the Director Nomination Policy and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee reviews the structure, size and composition of the Board and the independence of the independent non-executive Directors, reviews the Board Diversity Policy and Director Nomination Policy, and considers and makes recommendations to the Board on the appointment of executive/non-executive/independent non-executive Directors annually.

As the Company was newly listed on the Listing Date, during the period from the Listing Date to the end of the year ended 31 December 2022, the Nomination Committee only held one meeting concerning the recommendation of the appointment of a new non-executive Director.

The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 41.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee reviews regularly the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced and diverse profile. In relation to reviewing and assessing the Board's composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive Directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board consists of eight members, of which there are six male members and two female members, with the age ranging from 46 years old to 71 years old. The Nomination Committee believes that the Board has a good balance of experience and background, with the relevant experience areas including management and strategic development, finance and accounting experience in addition to pipeline natural gas business.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

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

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the Board, senior management and other employees as at 31 December 2022:

	Female	Male
Board	25% (2)	75% (6)
Senior Management	33% (2)	67% (4)
Other employees	24% (104)	76% (324)

The Board had targeted to achieve and had achieved at least 25% (2) of female Directors, 33% (2) of female senior management and 24% (104) of female employees of the Group and considers that the above current gender diversity is satisfactory. In order to build a pipeline of potential successors for the Board to increase gender diversity on the Board in the upcoming years, the Group will also proactively provide trainings to our senior managements to create an inclusive workplace and may also work with human resources firms to identify potential successors for the Board.

Director Nomination Policy

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

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

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

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

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

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

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

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

Re-election of Director at General Meeting

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

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

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

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

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 December 2022, there was no change in the composition of the Board.

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

Corporate Governance Functions

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

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

BOARD OF SUPERVISORS

The Board of Supervisors is responsible for supervising the legality of the performance of duties by the Directors and senior management members of the Company, thus to protect the overall benefits of the Company and Shareholders.

As at 31 December 2022, the Board of Supervisors comprised three Supervisors, namely Ms. Liu Fei, Mr. Xu Guoxin and Mr. Cai Rui. The biographical information of the Supervisors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 14 to 21 of this annual report.

Ms. Liu Fei, Mr. Xu Guoxin and Mr. Cai Ru were appointed as Supervisors on 1 April 2021 for a term from 1 April 2021 to 31 March 2024.

Save as disclosed in the biographies of Supervisors set out in the section "Biographical Details of Directors, Supervisors and Senior Management" in this annual report, none of the Supervisors had any personal relationships (including financial, business, family or other material/relevant relationships) with any other Directors, Supervisors or senior management members.

The Board of Supervisors held two meetings during the period from the Listing Date to the end of the year ended 31 December 2022 to consider and approve the interim results announcement, the interim report and other resolutions.

The attendance records of the members of the Board of Supervisors are as follows:

Supervisors	Number of meetings attended
Ms. Liu Fei	2/2
Mr. Xu Guoxin	2/2
Mr. Cai Rui	2/2

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

(1) BOCOM International (Asia) has been appointed as the Company's compliance adviser upon the H Shares listed on the Stock Exchange to advise the Group on compliance matters in accordance with the Listing Rules;

(2) Grandall Law Firm has been appointed as a PRC legal adviser which assists the Company in performing the requisite legal due diligence and assists us in complying with the relevant laws and regulations in respect of the business operations;

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

(4) we will from time to time remind the employees to perform their obligations to contribute to the part of the social insurance and housing provident funds borne by them in order to comply with the applicable PRC laws and regulations, and advise them on the procedures for making the contributions; and

(5) we have appointed Chiu & Partners as an external Hong Kong legal adviser of the Company to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

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

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

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

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal anti-corruption department/internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the year ended 31 December 2022, the Company held one anti-corruption training and briefing to all employees. There were no non-compliance cases in relation to bribery and corruption.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

NON-COMPETITION UNDERTAKING

Each of City Group, ENN (China) and ENN Energy, has entered into a deed of non-competition in favour of the Company on 16 June 2021 (the "Deed"), details of which have been set out in the Prospectus. The Company has received written declaration from each of City Group, ENN (China) and ENN Energy in respect of its and/or its close associates' compliance with the terms of the Deed during the year ended 31 December 2022. The independent non-executive Directors have also reviewed the compliance with the Deed and enforcement of the terms of the Deed by City Group, ENN (China) and ENN Energy and confirmed that they have not been in breach of the Deed during the year ended 31 December 2022.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 60 to 64.

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	**Fees Paid/Payable** *RMB'000*
Audit Services	1,460
Non-audit Services (Note)	800
Total	2,260

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

JOINT COMPANY SECRETARIES

During the Reporting Period, Mr. Tang Chunhui, the secretary to the Board of the Company, has been serving as the Company's joint company secretary.

During the Reporting Period, Ms. Mak Sze Man served as the Company's joint company secretary until 11 August 2022 due to her resignation. Ms. Lee Mei Yi has been appointed as the Company's joint company secretary with effect from 11 August 2022. Ms. Lee Mei Yi is currently an Executive Director of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. The primary contact person of Ms. Lee Mei Yi is Mr. Tang Chunhui.

For the year ended 31 December 2022, Mr. Tang Chunhui and Ms. Lee Mei Yi have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Right to call an Extraordinary General Meeting

Pursuant to Article 67 of the Company's Articles of Association, when Shareholders request the convening of an extraordinary general meeting or any class meeting, the following procedures shall be followed:

Shareholders individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may sign one or more written requests of identical form of content requesting the Board of Directors to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The Board of Directors shall reply in writing regarding the acceptance or refusal to convene an extraordinary general meeting or a class meeting within ten days upon receiving the aforesaid written request in accordance with the requirements of the laws, regulations and the Articles of Association. The aforementioned number of shares held shall be based on the number of shares held at the close of business on the date of the Shareholder's written request (or, if the date of the written request is a non-trading day, the trading day preceding the date of the written request).

If the Board of Directors agrees to convene the extraordinary general meeting or the class meeting, notice convening the extraordinary general meeting or the class meeting shall be issued within 5 days upon receiving the Board of Directors' resolution. Should there be alterations to the original requests in the notice, consent has to be obtained from the relevant Shareholders.

If the Board of Directors does not agree to convene the extraordinary general meeting or does not reply within 10 days upon receiving the request, Shareholders individually or jointly holding not less than 10% of the Company's shares have to right to propose the Board of Supervisors to convene an extraordinary general meeting by way of written request(s).

If the Board of Supervisors agrees to convene the extraordinary general meeting, notice convening the extraordinary general meeting shall be issued within 5 days upon receiving the request. Should there be alterations to the original proposals in the notice, consent has to be obtained from the related Shareholders.

If the Board of Supervisors does not issue notice of the general meeting or class meeting within the required period, it will be considered as not going to convene and preside over the general meeting or class meeting, and shareholders individually or jointly holding over 10% of the shares of the Company having voting rights at the meeting for 90 consecutive days have the right to convene and preside over the meeting on their own.

Putting Forward Proposals at General Meetings

Pursuant to Article 71 of the Company's Articles of Association, when the Company convenes the Shareholders' general meeting, the Board of Directors, the Board of Supervisors or shareholders, individually or in aggregate, holding over 3% of the shares of the Company shall have the right to propose motions.

The contents of the motion to be proposed at the shareholders' general meeting shall fall within the terms of reference of the general meeting and have specified subjects and specific resolutions, in further compliance with the laws, administrative regulations and provisions of the Articles of Association.

Shareholders individually or jointly holding not less than 3% of the Company's shares may submit an extraordinary proposal to the convener in writing 10 days prior to date of the meeting. The convener shall dispatch a supplementary notice of the general meeting and announce the contents of such extempore proposal within 2 days upon receipt of the proposal, which shall be submitted to the shareholders' general meeting for consideration. Where the issuance of a supplementary notice for a general meeting fails to satisfy the relevant requirements of the listing rules of the place where the Company is listed in relation to the issuance of supplementary notice, the Company shall adjourn the general meeting accordingly. The content of the temporary proposal shall fall within the terms of reference of the shareholders' general meeting, with clear topics and specific resolutions.

Unless otherwise required by the preceding paragraph, the convener shall not amend the proposals listed in the aforesaid notice or add any new proposals subsequent to the dispatch of a notice of the general meeting.

Motion(s) not specified in the notice of Shareholders' general meeting or inconsistent with the requirements stipulated in paragraphs 2 and 3 of Article 71 shall not be voted or resolved at the Shareholders' general meeting.

Putting Forward Enquiries to the Board

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

Contact Details

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

Address: 227 Sizhong Road, Huzhou, Zhejiang Province, the PRC
Fax: (+86) 0572-2716815

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) will meet Shareholders and answer their enquiries.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and its summary interim report where applicable; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkexnews.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.hzrqgf.com). Other corporate information about the Company's business developments, goals and strategies and corporate governance will also be available on the Company's website.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) will answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched on a required basis.

Amendments to Constitutional Documents

During the year under review, the Company has amended its Articles of Association. By a special resolution passed at an extraordinary general meeting held on 23 September 2022, the Articles of Association were amended to reflect changes in the Company's registered capital and share capital structure. Details of the amendments are set out in the circular dated 7 September 2022 to the Shareholders. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

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

OPINION

We have audited the consolidated financial statements of Huzhou Gas Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 65 to 159, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year, the Group recognised revenue of RMB2,579,459,000, of which, revenue from the sale of piped natural gas ("**PNG**") and from the provision of construction and installation services amounted to RMB2,337,854,000 and RMB174,290,000, respectively. Revenue from the sale of PNG was significant to our audit because the revenue was highly dispersed and derived from a large number of residential customers, commercial customers and industrial customers. Volume of gas consumed by customers was determined by gas-meters installed, the readings were examined cyclically and the reading dates did not all fall exactly on month or year end. Therefore, the recognition of revenue from the last gas-meter reading date to the year-end date involved estimation of the management. Revenue from the provision of construction and installation services was significant to our audit because the revenue from construction and installation services had significant impact on the consolidated financial statements and the recognition of it involved significant estimations of management. Revenue from construction and installation services is recognised using the input method, measured by reference to the costs incurred during the year relative to the estimated total costs of the contracts, and the revenue recognition requires the status of contracts to be assessed on a regular basis. The management of the Group exercised significant estimations in assessing the performance progress in the satisfaction of the performance obligation in construction and installation service contracts, the valuation of contract variations, and the completeness and accuracy of forecast costs to complete. We identified recognition of revenue from the sale of PNG and the provision of construction and installation services as a key audit matter due to the involvement of a number of estimations in the recognition.	Our procedures in relation to the recognition of revenue derived from the sale of PNG included: • Testing the design and operating effectiveness of key controls related to the sale of PNG; • Discussing with the management about the recognition basis of revenue from sale of PNG and assessing the appropriateness of revenue recognition policy of sale of PNG applied by the Group; • Performing analytical review procedures on the revenue from sale of PNG; • Performing test of details, on sampling basis, by checking contracts, gas-meter reading records and invoices; • Assessing the calculation algorithms and data used in developing the estimation of revenues from the last gas-meter reading date to the year-end date; and • Assessing the adequacy of the disclosure of revenue from sale of PNG included in the notes to the consolidated financial statements. Our procedures in relation to the recognition of revenue derived from provision of construction and installation services included: • Testing the design and operating effectiveness of key controls related to the provision of construction and installation services; • Discussing with the management about the recognition basis of revenue from provision of construction and installation services and assessing the appropriateness of revenue recognition policy of provision of construction and installation services applied by the Group;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (continued)	
The disclosures about revenue recognition are included in note 2.4 *Summary of Significant Accounting Policies,* note 3 *Significant Accounting Judgements and Estimates* and note 5 *Revenue, Other Income and Gains* to the financial statements.	• Discussing with management to assess the assumptions used in the recognition and management's key estimations involved in determining performance progress; • Performing analytical review procedures on the revenue from construction and installation services; • Performing tests of details, on sampling basis, by checking contracts, construction completion report, invoices and materials requisitions; • Checking material costs, labour costs and expense incurred to material requisitions and internal payroll records, and recalculating the performance progress with the input method based on the costs incurred and the budgeted total costs; • Evaluating the historical accuracy of the Group's estimates on the progress in the satisfaction of the performance obligation through identifying if there were any late adjustments on the same contracts across different years; and • Assessing the adequacy of the disclosure of revenue from provision of construction and installation services included in the notes to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	2,579,459	1,858,737
Cost of sales		(2,465,002)	(1,573,265)
Gross profit		114,457	285,472
Other income and gains	5	146,204	19,520
Selling and distribution expenses		(32,430)	(35,056)
Administrative expenses		(49,060)	(40,210)
Impairment losses on financial assets, net		(187)	214
Other expenses		(2,648)	(4,965)
Finance costs	7	(2,468)	(1,235)
Share of losses of:			
Joint ventures		(2,972)	(2,052)
PROFIT BEFORE TAX	6	170,896	221,688
Income tax expense	10	(41,650)	(54,996)
PROFIT FOR THE YEAR		129,246	166,692
Attributable to:			
Owners of the parent		104,091	119,714
Non-controlling interests		25,155	46,978
		129,246	166,692
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For profit for the year *(RMB)*		0.60	0.80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR	**129,246**	166,692
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Fair value reserve of financial assets at fair value through other comprehensive income:		
Initial recognition of bills receivable as settlement of trade receivables	**(274)**	(447)
Changes in fair value	**473**	479
Income tax effect	**(50)**	(8)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**149**	24
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**149**	24
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**129,395**	166,716
Attributable to:		
Owners of the parent	**104,216**	119,741
Non-controlling interests	**25,179**	46,975
	129,395	166,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Lease receivables	13	3,563	3,607
Property, plant and equipment	14	896,881	835,650
Investment properties	15	1,638	1,947
Right-of-use assets	16	48,151	26,960
Goodwill	17	28,506	28,506
Other intangible assets	18	84,344	91,705
Investments in joint ventures	19	5,581	8,553
Deferred tax assets	30	1,662	1,365
Other non-current assets	20	9,900	–
Total non-current assets		1,080,226	998,293
CURRENT ASSETS			
Inventories	21	29,254	29,347
Lease receivables	13	1,607	807
Trade and bills receivables	22	58,255	66,357
Prepayments, other receivables and other assets	23	35,401	36,829
Due from related parties	24	14,373	22,569
Financial assets at fair value through profit or loss	25	–	150,000
Pledged deposits	26	24	24
Cash and cash equivalents	26	1,079,703	588,673
Total current assets		1,218,617	894,606

	Notes	2022 RMB'000	2021 RMB'000
CURRENT LIABILITIES			
Trade payables	27	101,348	140,407
Other payables and accruals	28	448,970	255,650
Contract liabilities	29	279,241	291,477
Due to related parties	24	10,264	642
Tax payables		26,417	40,521
Lease liabilities	16	700	535
Total current liabilities		866,940	729,232
NET CURRENT ASSETS		351,677	165,374
TOTAL ASSETS LESS CURRENT LIABILITIES		1,431,903	1,163,667
NON-CURRENT LIABILITIES			
Contract liabilities	29	110,289	90,404
Deferred tax liabilities	30	40,623	38,705
Deferred income		2,942	1,000
Other non-current liabilities	31	72,679	15,239
Lease liabilities	16	8,055	570
Total non-current liabilities		234,588	145,918
Net assets		1,197,315	1,017,749
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	202,715	150,000
Other reserves	32, 33	928,297	793,916
		1,131,012	943,916
Non-controlling interests		66,303	73,833
Total equity		1,197,315	1,017,749

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent										
	Share capital RMB'000 (note 32)	Share premium* RMB'000 (note 33)	Merger reserve* RMB'000	Other reserve* RMB'000 (note 33)	Special reserve – safety fund* RMB'000 (note 33)	Statutory surplus reserve* RMB'000 (note 33)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	98,947	472,142	35,836	32,703	15,245	49,473	(290)	120,119	824,175	97,382	921,557
Profit for the year	–	–	–	–	–	–	–	119,714	119,714	46,978	166,692
Other comprehensive income for the year:											
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	27	–	27	(3)	24
Total comprehensive income for the year	–	–	–	–	–	–	27	119,714	119,741	46,975	166,716
Statutory surplus reserve	–	–	–	–	–	7,756	–	(7,756)	–	–	–
Dividend declared (note 11)	–	–	–	–	–	–	–	–	–	(70,524)	(70,524)
Special reserve – safety fund	–	–	–	–	2,802	–	–	(2,802)	–	–	–
Conversion into a joint stock company upon restructuring	51,053	51,619	–	–	–	(49,473)	–	(53,199)	–	–	–
At 31 December 2021	150,000	523,761	35,836	32,703	18,047	7,756	(263)	176,076	943,916	73,833	1,017,749

	Attributable to owners of the parent										
	Share capital RMB'000 (note 32)	Share premium* RMB'000 (note 32, 33)	Merger reserve* RMB'000	Other reserve* RMB'000 (note 33)	Special reserve – safety fund* RMB'000 (note 33)	Statutory surplus reserve* RMB'000 (note 33)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	150,000	523,761	35,836	32,703	18,047	7,756	(263)	176,076	943,916	73,833	1,017,749
Profit for the year	–	–	–	–	–	–	–	104,091	104,091	25,155	129,246
Other comprehensive income for the year:											
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	125	–	125	24	149
Total comprehensive income for the year	–	–	–	–	–	–	125	104,091	104,216	25,179	129,395
Statutory surplus reserve	–	–	–	–	–	8,919	–	(8,919)	–	–	–
Dividend declared (note 11)	–	–	–	–	–	–	–	(176,076)	(176,076)	(35,899)	(211,975)
Issue of shares (note 32)	52,715	222,079	–	–	–	–	–	–	274,794	–	274,794
Share issue expenses	–	(15,838)	–	–	–	–	–	–	(15,838)	–	(15,838)
Investment in a subsidiary	–	–	–	–	–	–	–	–	–	3,190	3,190
Special reserve – safety fund	–	–	–	–	324	–	–	(324)	–	–	–
At 31 December 2022	202,715	730,002	35,836	32,703	18,371	16,675	(138)	94,848	1,131,012	66,303	1,197,315

* These reserve accounts comprise the consolidated other reserves of RMB928,297,000 (2021: RMB793,916,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6	**170,896**	221,688
Adjustments for:			
Finance costs	7	**2,468**	1,235
Share of losses of joint ventures	19	**2,972**	2,052
Gain on disposal of items of property, plant and equipment	5, 6	**(2,327)**	(2,018)
Depreciation of property, plant and equipment	14	**56,763**	50,149
Depreciation of investment properties	15	**60**	44
Depreciation of right-of-use assets	16	**2,250**	1,702
Amortisation of other intangible assets	18	**7,495**	7,437
Fair value gains on wealth management products	5, 6	**(6,588)**	(7,443)
Gain on foreign exchange differences	5, 6	**(5,801)**	–
Finance income on the net investment in a lease	5	**(756)**	(763)
Write-down of inventories to net realisable value	6	**(535)**	(823)
Impairment of financial assets, net	6	**187**	(214)
		227,084	273,046
Decrease/(increase) in inventories		**628**	(7,019)
Decrease/(increase) in trade and bills receivables		**8,087**	(4,698)
Increase in prepayments, other receivables and other assets		**(2,197)**	(10,004)
Increase/(decrease) in trade payables		**(39,059)**	30,011
Increase/(decrease) in other payables and accruals		**(6,455)**	64,750
Increase in contract liabilities		**50,873**	43,645
Changes in balances with related parties		**17,818**	(11,350)
Increase in deferred income		**1,942**	–
Cash generated from operations		**258,721**	378,381
Income taxes paid		**(54,183)**	(50,608)
Net cash flows generated from operating activities		**204,538**	327,773

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(99,839)**	(114,959)
Proceeds from disposal of items of property, plant and equipment		**29,799**	5,256
Purchases of wealth management products		**(1,030,000)**	(1,035,000)
Proceeds from disposal of wealth management products		**1,186,588**	892,443
Purchases of leasehold land		**(23,749)**	–
Purchases of other intangible assets		**(134)**	(387)
Repayment of lease receivables		**–**	800
Net cash flows generated from/(used in) investing activities		**62,665**	(251,847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**274,794**	–
Share issue expenses		**(10,414)**	–
Investment in a subsidiary		**3,190**	–
New bank and other borrowings		**432,769**	118,825
Repayment of bank loans		**(432,769)**	(118,825)
Dividends and interest paid		**(47,429)**	(37,682)
Payments of lease liabilities	16	**(2,115)**	(1,240)
Net cash flows generated from/(used in) financing activities		**218,026**	(38,922)
Effect of foreign exchange rate changes, net		**5,801**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**491,030**	37,004
Cash and cash equivalents at beginning of year		**588,673**	551,669
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,079,703**	588,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,079,703**	588,673
Cash and cash equivalents as stated in the statement of financial position	26	**1,079,703**	588,673
Cash and cash equivalents as stated in the statement of cash flows		**1,079,703**	588,673

1. CORPORATE AND GROUP INFORMATION

Huzhou Gas Co., Ltd. (the "**Company**") is a joint stock company with limited liability established in the People's Republic of China ("**PRC**"). The registered office of the Company is located at No. 227, Sizhong Road, Wuxing District, Huzhou, Zhejiang, China.

During the Year, the Group was involved in the following principal activities:

- the sale of gas, mainly piped natural gas ("**PNG**") (under the concessions) and liquefied natural gas ("**LNG**") in Huzhou;
- the provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers such as property developers and owners or occupants of residential and non-residential properties;
- others, including the sale of energy, distributed photovoltaic power, household gas appliances and relevant equipment, and the leasing of properties in Mainland China.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 July 2022.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of Establishment and principal country of operation	Date of Establishment	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Huzhou Xinao Gas Development Company Limited ("**Xinao Development**") 湖州新奧燃氣發展有限公司*	PRC	25 April 2005	RMB9,611,896.22	100	–	The provision of construction and installation services of gas pipeline network
Huzhou Nanxun Xinao Gas Company Limited ("**Nanxun Xinao**") 湖州南潯新奧燃氣有限公司*	PRC	28 September 2009	RMB35,000,000	51	–	Distribution and sale of natural gas and the provision of construction and installation services of gas pipeline network
Huzhou Nanxun Xinao Gas Development Company Limited ("**Nanxun Xinao Development**") 湖州南潯新奧燃氣發展有限公司*	PRC	28 November 2017	RMB5,000,000	51	–	Distribution and sale of natural gas, and the provision of construction and installation services of gas pipeline network

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of Establishment and principal country of operation	Date of Establishment	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Deqing Xinrui New Energy Co., Ltd. 德清新瑞新能源有限公司*	PRC	26 September 2021	RMB30,000,000	–	51	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment
Huzhou Huran New Energy Development Co., Ltd. ("**Huran New Energy**") 湖州湖燃新能源開發有限公司*/(i)	PRC	24 April 2022	RMB150,000,000	95	–	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment
Huzhou Huxun Fuel New Energy Development Co., Ltd. ("**Huxun Fuel New Energy**") 湖州湖潯燃新能源開發有限公司*/(ii)	PRC	28 July 2022	RMB20,000,000	–	95	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment
Huzhou Huqingran New Energy Development Co., Ltd. ("**Huqingran New Energy**") 湖州湖清燃新能源開發有限公司*/(iii)	PRC	21 October 2022	RMB20,000,000	–	95	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment

* These entities are registered as limited liability companies under the laws of the PRC.

(i) On April 24 2022, the Company and Huzhou Zhongran Enterprise Management Partnership (Limited Partnership) ("**Huzhou Zhongran**") established Huzhou Huran New Energy Development Co., Ltd., with a registered capital of RMB150 million, and the Company holds 95% of its equity. As of 31 December, 2022, the Company's paid-in capital was RMB71 million, and Huzhou Zhongran's paid-in capital was RMB3.19 million.

(ii) On 28 July 2022, Huran New Energy established Huxun Fuel New Energy, with a registered capital of RMB20 million. As of 31 December 2022, Huxun Fuel New Energy did not carry out any business operation, did not receive the registered capital and did not prepare financial statements during the reporting period.

(iii) On 21 October 2022, Huran New Energy established Huqingran New Energy, with a registered capital of RMB20 million. As of 31 December 2022, Huqingran New Energy did not carry out any business operation, did not receive the registered capital and did not prepare financial statements during the reporting period.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*

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

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

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and determines the cost of those items in accordance with IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any significant impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

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

(e) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

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

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

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

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

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

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

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

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

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

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

Business combinations not under common control and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations not under common control and goodwill (continued)

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

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

or

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

- (i) the entity and the Group are the members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	30-50 years
Gas pipelines	20 years
Plant and machinery	10-30 years
Office and other equipment	6 years
Motor vehicles	6 years
Instrument and apparatus	6 years
Leasehold improvement	3-10 years
Others	6 years

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

Buildings	30-50 years

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

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

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of six years. The estimated useful life of 6 years for software copyrights is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

Operating right

Reacquired operating right is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful lives of 15.5 years. The estimated useful life of 15.5 years for operating right is determined based on the remaining contractual period of the contract under which the right was reacquired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold lands	50 years
Buildings	2-25 years

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and amounts due to related parties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Special reserve – safety fund

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) *Sale of goods*
Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the above goods.

(b) *Provision of construction and installation services*
Revenue from the provision of construction and installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the costs incurred, relative to the estimated total costs for satisfaction of the construction and installation services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

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

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

Contract liabilities

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

Other employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Determining the timing of satisfaction of construction and installation services

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

(i) Impairment of non-financial assets (other than goodwill)

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

(ii) Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and deposits and other receivables is disclosed in note 22 and note 23 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(iii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Revenue recognition of provision of construction and installation services

Revenue from construction and installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue based on the proportion of the costs incurred relative to the estimated total costs for satisfaction of the construction and installation services. Accordingly, any changes to the estimated total contract cost may have material impact on the contract revenue recognised in each accounting period over the contract term.

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB28,506,000 (2021: RMB28,506,000). Further details are given in note 17 to the financial statements.

(vi) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies. Further details are contained in note 30 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group has only one reportable operating segment which engages in (i) sale of gas, mainly PNG (under the concessions) and LNG in Huzhou; (ii) provision of construction and installation services; and (iii) others, including sale of energy, distributed photovoltaic power, household gas appliances and relevant equipment, and leasing of properties. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

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

Information about major customers

Revenue of approximately RMB326,602,000 (2021: RMB178,809,000) was derived from sales by the natural gas operation segment to one customer, Group A. Group A represents three customers under the control of a same shareholder.

5. REVENUE, OTHER INCOME AND GAINS

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

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers		
Sale of goods	2,401,902	1,641,702
Provision of construction and installation services	174,290	213,134
Others	5,066	6,707
Revenue from other sources		
Gross rental income from investment property operating leases	602	926
	2,581,860	1,862,469
Less: Government surcharges	(2,401)	(3,732)
	2,579,459	1,858,737

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Sale of PNG	2,337,854	1,609,853
Sale of LNG	29,296	14,246
Sale of household gas appliances and relevant equipment	19,955	5,137
Sale of energy	12,460	12,466
Sale of distributed photovoltaic power	2,337	–
Provision of construction and installation services	174,290	213,134
Others	5,066	6,707
	2,581,258	1,861,543
Less: Government surcharges	(2,401)	(3,732)
	2,578,857	1,857,811

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

Segments (continued)

	2022 RMB'000	2021 RMB'000
Geographical market		
Mainland China	**2,578,857**	1,857,811
Timing of revenue recognition		
Goods or services transferred at a point in time	**2,406,968**	1,648,409
Services transferred over time	**174,290**	213,134
	2,581,258	1,861,543
Less: Government surcharges	**(2,401)**	(3,732)
	2,578,857	1,857,811

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

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Sale of natural gas	**124,332**	121,285
Construction and installation services	**162,919**	138,630
Sale of household gas appliances and relevant equipment	**4,226**	504
	291,477	260,419

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the PNG, LNG, energy, distributed photovoltaic power, household gas appliances and relevant equipment, and payment is generally due within 30 to 90 days from delivery except for customers who purchased prepaid cards.

Construction and installation services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before or during the rendering of the services. The remaining percentage of payment generally should be paid before completion of construction and installation.

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

	2022 RMB'000	2021 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	279,241	291,477
After one year	110,289	90,404
	389,530	381,881

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to construction and installation services of gas pipelines, sale of natural gas and sale of household gas appliances and relevant equipment, of which the performance obligations are to be satisfied within two to three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (continued)

	Note	2022 RMB'000	2021 RMB'000
Other income			
Bank interest income	6	20,742	6,256
Finance income on the net investment in a lease		756	763
Government grants	6	109,895	2,807
Others		95	126
		131,488	9,952
Other gains			
Gain on foreign exchange differences	6	5,801	–
Gain on disposal of items of property, plant and equipment	6	2,327	2,018
Fair value gains on wealth management products	6	6,588	7,443
Gain on disposal of materials		–	107
		14,716	9,568
		146,204	19,520

Government grants mainly represent: 1) the receipt of the gas supply guarantee subsidy of RMB85,000,000 from Huzhou Finance Bureau, which was used to compensate for the loss caused by the purchase and sale price inversion (the gap between purchase price and sale price) arose from the sales of natural gas during the period from April 2022 to May 2022; 2) the government grants of RMB14,455,000 from Huzhou Finance Bureau, which were used to compensate for the loss caused by the purchase and sale price inversion generated from residential gas sale during the heating season.

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**2,353,938**	1,345,306
Cost of services provided		**111,064**	128,394
Depreciation of property, plant and equipment	14	**56,763**	50,149
Depreciation of investment properties	15	**60**	44
Depreciation of right-of-use assets	16(a)	**2,250**	1,702
Amortisation of other intangible assets	18	**7,495**	7,437
		2,531,570	1,533,032
Lease payments not included in the measurement of lease liabilities	16(c)	**206**	701
Auditor's remuneration		**2,260**	2,723
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**63,671**	71,313
Pension scheme contributions		**6,627**	7,017
Social security contributions and accommodation benefits		**10,002**	9,076
		82,766	90,830
Impairment of financial assets, net:			
Impairment of trade receivables	22	**214**	(103)
Impairment of financial assets included in prepayments, other receivables and other assets	23	**(27)**	(111)
		187	(214)
Gain on foreign exchange differences	5	**(5,801)**	–
Bank interest income	5	**(20,742)**	(6,256)
Fair value gains on wealth management products	5	**(6,588)**	(7,443)
Government grants	5	**(109,895)**	(2,807)
Interest on lease liabilities	7	**173**	59
Gain on disposal of items of property, plant and equipment	5	**(2,327)**	(2,018)
Write-down of inventories to net realisable value		**(535)**	(823)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is set out as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank loans, overdrafts and other loans	819	–
Interest expenses arising from discounted bills receivable	1,476	1,176
Interest on lease liabilities	173	59
Total interest expenses on financial liabilities not at fair value through profit or loss	2,468	1,235

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022 RMB'000	2021 RMB'000
Fees	196	–
Other emoluments:		
Salaries, allowances and benefits in kind	768	352
Performance related bonuses	110	172
Pension scheme contributions	153	59
	1,227	556

(a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Chang Li Hsien Leslie *(appointed in May 2021)*	41	–
Lau Suet Chiu Frederic *(appointed in May 2021)*	41	–
Zhou Xin Fa *(appointed in May 2021)*	24	–
	106	–

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

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive directors:					
Wang Hua	–	552	110	76	738
Su Li	–	–	–	–	–
Pan Hai Ming	–	–	–	–	–
Non-executive directors:					
Wu Zhang Huan	–	–	–	–	–
Zhang Yu Ying	–	–	–	–	–
Chief executive:					
Li Hai Xiao	90	–	–	–	90
Supervisors:					
Liu Fei	–	–	–	–	–
Cai Rui	–	–	–	–	–
Xu Guo Xin	–	216	–	77	293
	90	768	110	153	1,121

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive directors:					
Wang Hua *(appointed in April 2021)*	–	182	120	36	338
Su Li	–	–	–	–	–
Pan Hai Ming	–	–	–	–	–
Cheng Xi Wen *(resigned in April 2021)*	–	–	–	–	–
Non-executive directors:					
Wu Zhang Huan	–	–	–	–	–
Zhang Yu Ying	–	–	–	–	–
Chief executive:					
Li Hai Xiao	–	–	–	–	–
Supervisors:					
Liu Fei	–	–	–	–	–
Cai Rui	–	–	–	–	–
Xu Guo Xin *(appointed in April 2021)*	–	143	52	23	218
	–	325	172	59	556

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2021: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**1,493**	1,925
Performance related bonuses	**–**	–
Pension scheme contributions	**172**	231
	1,665	2,156

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

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**4**	5

10. INCOME TAX

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

The provision for current income tax in Mainland China is calculated based on the statutory rate of 25% (2021: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**"), except for two certain subsidiaries of the Group in Mainland China, which are subject to a preferential rate of 0%.

In accordance with the relevant provisions of the *Notice on the Implementation of the Catalogue of Enterprise Income Tax Preferences for Public Infrastructure Projects* issued by the Ministry of Finance and the State Administration of Taxation, the subsidiaries of the Company, Huzhou Huran New Energy Development Co., Ltd. and Deqing Xinrui New Energy Co., Ltd. enjoy the preferential policy of enterprise income tax. For enterprises engaged in public infrastructure projects that meet the relevant conditions and technical standards and the relevant provisions of the state investment management in the Catalogue of Preferences Enterprise Income Tax for Public Infrastructure Projects approved on 1 January 2008, their income from investment and operation will be exempted from enterprise income tax from the first tax year in which the first production and operation income is generated, and the enterprise income tax will be reduced by half for another three years. As the year ended 31 December 2022 is the tax year in which the first production and operation income is generated, the enterprise income tax of Huran New Energy and Deqing Xinrui will be exempted from 2022 to 2024 and the applicable tax rate will be reduced by half from 2025 to 2027.

10. INCOME TAX (continued)

The major components of income tax expense are set out as follows:

	2022 RMB'000	2021 RMB'000
Current tax – Mainland China		
Charge for the year	40,079	55,665
Deferred tax (note 30)	1,571	(669)
Total tax charge for the year	41,650	54,996

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	170,896	221,688
Tax at the statutory tax rate	42,724	55,422
Lower tax rate for specific subsidiaries	(426)	–
Expenses not deductible for tax	301	101
Adjustments in respect of current tax of previous periods	(9)	20
Income tax credit for special equipment	(44)	(255)
Loss on cancellation of a subsidiary	(1,180)	–
Extra tax deduction for research and development expenses	(466)	(812)
Loss attributable to a joint venture	743	513
Temporary difference not recognised	7	7
Tax charge at the Group's effective rate	41,650	54,996

11. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Interim – RMB1.41 (2021: Nil) per ordinary share	211,975	–
Proposed final – RMB0.30 (2021: RMB0.47) per ordinary share	60,814	70,524
	272,789	70,524

On 30 March 2023, the board of directors proposed the payment of a final dividend of RMB0.30 per share, amounting to RMB60,814,350 (tax inclusive), for the year ended 31 December 2022. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 174,647,444 (2021: 150,000,000) in issue during the Year, as adjusted to reflect the rights issue during the Year.

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

The calculation of basic earnings per share is based on:

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	104,091	119,714

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	174,647,444	150,000,000

13. LEASE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Lease receivables	15,292	14,529
Less: Unearned finance income	(10,122)	(10,115)
Net lease receivables	5,170	4,414

A maturity analysis of lease receivables, based on the contractual undiscounted lease payments to be received, is as follows:

	2022 RMB'000	2021 RMB'000
Due within 1 year	1,690	927
Due in 1 to 2 years	800	800
Due in 2 to 3 years	800	800
Due in 3 to 4 years	800	800
Due in 4 to 5 years	800	800
Due after 5 years	10,402	10,402
Total	15,292	14,529

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Instrument and apparatus RMB'000	Others RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022										
Cost:										
At 1 January 2022	64,156	860,180	56,692	5,573	7,165	7,269	1,837	1,522	79,339	1,083,733
Additions	–	–	3,085	576	398	400	11	97	114,963	119,530
Reclassification	–	(18,043)	18,043	–	–	–	–	–	–	–
Transferred from construction in progress	25,224	60,964	65,912	–	–	–	–	–	(152,100)	–
Transferred from investment properties	249	–	–	–	–	–	–	–	–	249
Disposals	–	(2,718)	(3,098)	(96)	(59)	(44)	(8)	–	–	(6,023)
At 31 December 2022	89,629	900,383	140,634	6,053	7,504	7,625	1,840	1,619	42,202	1,197,489
Accumulated depreciation:										
At 1 January 2022	13,554	206,723	14,847	3,101	4,848	3,020	953	1,037	–	248,083
Depreciation provided for the year	2,193	41,130	9,855	708	513	1,662	316	386	–	56,763
Reclassification	–	(977)	977	–	–	–	–	–	–	–
Disposals	–	(1,149)	(2,900)	(88)	(56)	(41)	(4)	–	–	(4,238)
At 31 December 2022	15,747	245,727	22,779	3,721	5,305	4,641	1,265	1,423	–	300,608
Net carrying amount:										
At 31 December 2021	50,602	653,457	41,845	2,472	2,317	4,249	884	485	79,339	835,650
At 31 December 2022	73,882	654,656	117,855	2,332	2,199	2,984	575	196	42,202	896,881

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Instrument and apparatus RMB'000	Others RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021										
Cost:										
At 1 January 2021	65,294	774,994	49,739	5,364	7,315	5,577	1,820	1,379	45,985	957,467
Additions	–	–	4,583	530	534	1,770	–	143	125,344	132,904
Transferred from construction in progress	449	88,431	3,093	–	–	–	17	–	(91,990)	–
Transferred to investment properties	(1,587)	–	–	–	–	–	–	–	–	(1,587)
Disposals	–	(3,245)	(723)	(321)	(684)	(78)	–	–	–	(5,051)
At 31 December 2021	64,156	860,180	56,692	5,573	7,165	7,269	1,837	1,522	79,339	1,083,733
Accumulated depreciation:										
At 1 January 2021	12,277	163,551	13,008	2,737	4,408	2,216	635	754	–	199,586
Depreciation provided for the year	1,577	43,460	2,346	646	657	862	318	283	–	50,149
Transferred to investment properties	(300)	–	–	–	–	–	–	–	–	(300)
Disposals	–	(288)	(507)	(282)	(217)	(58)	–	–	–	(1,352)
At 31 December 2021	13,554	206,723	14,847	3,101	4,848	3,020	953	1,037	–	248,083
Impairment:										
At 1 January 2021	–	–	–	24	449	–	–	–	–	473
Disposals	–	–	–	(24)	(449)	–	–	–	–	(473)
At 31 December 2021	–	–	–	–	–	–	–	–	–	–
Net carrying amount:										
At 31 December 2020	53,017	611,443	36,731	2,603	2,458	3,361	1,185	625	45,985	757,408
At 31 December 2021	50,602	653,457	41,845	2,472	2,317	4,249	884	485	79,339	835,650

As at 31 December 2022, no property, plant and equipment of the Group were pledged (31 December 2021: Nil).

15. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Cost:		
At beginning of year	**2,386**	1,099
Transferred from owner-occupied property	**–**	1,287
Transferred to owner-occupied property	**(260)**	–
At end of year	**2,126**	2,386
Accumulated depreciation:		
At beginning of year	**439**	395
Charge for the year	**60**	44
Transferred to owner-occupied property	**(11)**	–
At end of year	**488**	439
Net carrying amount:		
At end of year	**1,638**	1,947
At beginning of year	**1,947**	704

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

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

As at 31 December 2022, no investment properties of the Group were pledged (31 December 2021: Nil).

The fair value of investment properties as at 31 December 2022 was RMB3,694,000 (2021: RMB4,798,100).

15. INVESTMENT PROPERTIES (continued)

The valuation was performed by an independent professionally qualified valuer, Huzhou Jinxin Real Estate Asset Appraisal Co., Ltd. (湖州錦信房地產資產評估有限公司). Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting. The investment properties were valued using the market comparable approach due to a high volume of transactions involving comparable properties in the area during the year. Under the market comparable approach, the property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sq.m). A significant increase or decrease in the market price per sq.m. would result in a significant increase or decrease in the fair value of the investment property. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and leasehold land used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 25 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 1 January 2021	990	25,707	26,697
Additions	1,965	–	1,965
Depreciation charge	(1,070)	(632)	(1,702)
As at 31 December 2021 and 1 January 2022	**1,885**	**25,075**	**26,960**
Additions	**9,592**	**13,849**	**23,441**
Depreciation charge	**(1,573)**	**(677)**	**(2,250)**
As at 31 December 2022	**9,904**	**38,247**	**48,151**

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**1,105**	321
New leases	**9,592**	1,965
Accretion of interest recognised during the year	**173**	59
Payments	**(2,115)**	(1,240)
Carrying amount at 31 December	**8,755**	1,105
Analysed into:		
Current portion	**700**	535
Non-current portion	**8,055**	570

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

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**173**	59
Depreciation charge of right-of-use assets	**1,573**	1,070
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	**206**	701
Total amount recognised in profit or loss	**1,952**	1,830

(d) The total cash outflows for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 36(c) and 38, respectively, to the financial statements.

16. LEASES (continued)

The Group as a lessor

Operating leases

The Group leases its investment properties (note 15) consisting of commercial properties and industrial properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB602,000 (2021: RMB926,000), details of which are included in note 5 to the financial statements.

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

	2022 RMB'000	2021 RMB'000
Within one year	194	978
After one year but within two years	26	902
After two years but within three years	–	722
After three years but within four years	–	700
After four years but within five years	–	700
After five years	–	4,200
	220	8,202

The Group signed a supplementary agreement with the lessee Huzhou Huaxing, which agreed that the lease expiration date would be advanced from October 2023 to June 2022 with no compensation.

Finance leases

On 25 December 2019, the Company entered into a heat energy system construction and supply agreement with Shushan Sanatorium, under which the Company agreed to construct a water boiler powered by PNG and electricity in Shushan Sanatorium at the Company's costs, and the Company shall, from the date of completion of the construction of the water boiler, supply to Shushan Sanatorium heat energy generated from the water boiler and Shushan Sanatorium shall pay the Company a monthly service fee for the heat energy supplied and a fixed yearly usage fee for a term of 20 years. The proprietary title of the water boiler shall be transferred to Shushan Sanatorium at the end of the 20-year term. As the Company transferred substantially all the risks and rewards incidental to the ownership of the underlying asset to Shushan Sanatorium, the transaction is accounted for as a finance lease, which is disclosed in note 13 to the financial statements.

17. GOODWILL

	2022 RMB'000	2021 RMB'000
Cost and net carrying amount	28,506	28,506

Impairment testing of goodwill

Goodwill acquired in a business combination is allocated to cash-generating units ("**CGUs**") that are expected to benefit from that business combination. The management considers that each subsidiary represents a separate CGU for the purpose of goodwill impairment testing.

The carrying amount of goodwill allocated to a cash-generating unit which is the subsidiary of the Company is as follows:

	2022 RMB'000	2021 RMB'000
Xinao Development	28,506	28,506

The recoverable amount of Xinao Development was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by Xinao Development's management. The discount rate applied to the cash flow projections was 11.8% (2021: 11.8%) and cash flows beyond the five-year period were extrapolated using a growth rate of 0.0% (2021: 3.0%). Xinao Development's management does not believe that there should be a material change in the discount rate during the reporting periods given that there was no significant change and no significant change is expected in the market in which Xinao Development operates thus the risks specific to Xinao Development remain stable. Xinao Development's management believes that this growth rate is conservative and reliable for the purpose of impairment testing.

Assumptions were used in the value-in-use calculation of the cash-generating units for 31 December 2022. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Revenue: The bases used to determine the future earnings potential are historical sales and average and expected growth rates of the market in the PRC.

Gross margins: The gross margins are based on the average gross margin achieved in the past five years and expected trend in the future.

Expenses: The value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.

Discount rates: The discount rates used are before tax and reflect management's estimate of the risks specific to each unit. In determining appropriate discount rates for each unit, regard has been given to the applicable borrowing rate of the Group during the reporting periods.

17. GOODWILL (continued)

The values assigned to the key assumptions on market development of industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources.

According to the results of the impairment testing on CGU, the amounts (i.e., the headroom) by which the estimated recoverable amounts of the CGU exceed its carrying amounts are set out as below:

	2022 RMB'000	2021 RMB'000
Xinao Development	98,915	87,616

The directors of the Company also performed a sensitivity analysis of the headroom to changes in the expected revenue or the pre-tax discount rate for the year ended 31 December 2022. Had the following estimated key assumptions been changed as below, the headroom would have decreased to the amounts as follows:

	2022 RMB'000	2021 RMB'000
– Pre-tax discount rate increased by 1%	33,550	26,920
– Expected revenue decreased by 2%	17,000	9,960

Based on the above assessment and the historical results, in the opinion of the directors of the Company, the reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts of the CGU to exceed its respective recoverable amounts as of 31 December 2022.

No impairment of goodwill was recognised for the year ended 31 December 2022 (31 December 2021: Nil).

18. OTHER INTANGIBLE ASSETS

31 December 2022

	Operating right RMB'000	Software copyrights RMB'000	Total RMB'000
Cost:			
At 31 December 2021 and 1 January 2022	**113,870**	**868**	**114,738**
Additions	**–**	**134**	**134**
At 31 December 2022	**113,870**	**1,002**	**114,872**
Accumulated amortisation:			
At 31 December 2021 and 1 January 2022	**22,650**	**383**	**23,033**
Amortisation provided during the year	**7,346**	**149**	**7,495**
At 31 December 2022	**29,996**	**532**	**30,528**
Net carrying amount:			
At 31 December 2021	**91,220**	**485**	**91,705**
At 31 December 2022	**83,874**	**470**	**84,344**

31 December 2021

	Operating right RMB'000	Software copyrights RMB'000	Total RMB'000
Cost:			
At 1 January 2021	113,870	511	114,381
Additions	–	387	387
Disposal	–	(30)	(30)
At 31 December 2021	113,870	868	114,738
Accumulated amortisation:			
At 1 January 2021	15,304	310	15,614
Amortisation provided during the year	7,346	91	7,437
Disposal	–	(18)	(18)
At 31 December 2021	22,650	383	23,033
Net carrying amount:			
At 31 December 2020	98,566	201	98,767
At 31 December 2021	91,220	485	91,705

19. INVESTMENTS IN JOINT VENTURES

	2022 **RMB'000**	2021 RMB'000
Share of net assets	**5,581**	8,553

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

Name	Nominal value of paid-up/ registered capital	Place of registration and business	Percentage of ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Huzhou Zhongshihua Xinao Natural Gas Co., Ltd. */** ("**Zhongshihua Xinao**") (湖州中石化新奧天然氣有限公司)	RMB10,000,000	PRC/ Mainland China	50%	50%	50%	Operation of natural gas refuelling stations
Huzhou Xinao Energy Development Company Limited */***/**** ("**Xinao Energy Development**") (湖州新奧能源發展有限公司)	RMB50,000,000	PRC/ Mainland China	51%	51%	51%	Production and sale of vapour; investment, construction and operation of electricity, heating projects; business information consultation

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

** The Group owned 50% interests in Zhongshihua Xinao. According to the articles of association, the Group owned 50% of the voting rights and could make a material impact on the financial and operating policy decisions of Zhongshihua Xinao. Thus, Zhongshihua Xinao was considered as a joint venture from the date of establishment.

*** As of 31 December,2022, Xinao Energy Development did not carry out any business operation, did not receive the registered capital and did not prepare financial statements during the reporting period.

**** Xinao Energy Development was established on 26 April 2019 and is 51% held by the Group and 49% held by ENN Group Co., Ltd. It was accounted for as a joint venture as all of the strategic financial and operating decisions must be approved by two-thirds of shareholders with voting rights in the shareholders' meeting of Xinao Energy Development.

(a) The above investment is directly held by the Company.

(b) The joint ventures had no contingent liabilities as at the end of the reporting period.

(c) The Group's outstanding balances and transactions with the joint ventures during the reporting period are disclosed in note 24 and note 39 to the financial statements, respectively.

(d) The Group's investments in joint ventures are considered individually material to the Group.

19. INVESTMENTS IN JOINT VENTURES (continued)

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

	2022 RMB'000	2021 RMB'000
Current assets	8,608	14,340
Non-current assets	3,323	3,933
Current liabilities	(769)	(1,167)
Net assets	11,162	17,106
Reconciliation to the Group's interest in Zhongshihua Xinao:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	5,581	8,553
Carrying amount of the investment	5,581	8,553
Revenue	1,602	4,853
Other income	303	255
Total expense	7,849	9,212
Loss and total comprehensive expense for the year	(5,944)	(4,104)
Share of result	(2,972)	(2,052)

The Group believes that the loss of the joint venture is temporary and will not continue in the future years, and does not identify any objective evidence of impairment for the investment in the joint venture.

20. OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments of leasehold land	9,900	–

21. INVENTORIES

	2022 RMB'000	2021 RMB'000
Construction materials	26,807	29,208
PNG	1,276	1,265
LNG	1,762	–
	29,845	30,473
Impairment	(591)	(1,126)
	29,254	29,347

At 31 December 2022, no inventories of the Group were pledged (31 December 2021: Nil).

22. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	28,329	20,030
Impairment	(1,170)	(956)
	27,159	19,074
Bills receivable	31,096	47,283
	58,255	66,357

The Group's trading terms with its customers are mainly on credit except for certain new customers, where payment in advance is required. The average credit period range for trade receivables is within 30 to 90 days. The average maturity period of bills receivable is 3 to 12 months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

22. TRADE AND BILLS RECEIVABLES (continued)

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

	2022 RMB'000	2021 RMB'000
Within 3 months	36,747	39,912
3 months to 6 months	17,515	23,902
6 months to 1 year	3,993	2,543
	58,255	66,357

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

	2022 RMB'000	2021 RMB'000
At beginning of year	956	1,203
Impairment losses, net (note 6)	214	(103)
Amount written off as uncollectible	–	(144)
At end of year	1,170	956

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

22. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on trade receivables using a provision matrix:

At 31 December 2022

		Past due			
	Current	Less than 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	**0.78%**	**2.01%**	**100.00%**	**100.00%**	**4.13%**
Gross carrying amount (RMB'000)	**26,635**	**747**	**41**	**906**	**28,329**
Expected credit losses (RMB'000)	**208**	**15**	**41**	**906**	**1,170**

At 31 December 2021

		Past due			
	Current	Less than 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	1.01%	–	100.00%	100.00%	4.77%
Gross carrying amount (RMB'000)	19,268	–	1	761	20,030
Expected credit losses (RMB'000)	194	–	1	761	956

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments	**19,911**	13,830
Other receivables	**1,909**	1,225
Deposits	**390**	4,643
Other current assets	**13,391**	17,358
	35,601	37,056
Impairment allowance	**(200)**	(227)
	35,401	36,829

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

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

As at 31 December 2022

	Deposits	Other receivables
Expected credit loss rate	8.72%	8.70%
Gross carrying amount (RMB'000)	390	1,909
Expected credit losses (RMB'000)	34	166

As at 31 December 2021

	Deposits	Other receivables
Expected credit loss rate	3.92%	3.67%
Gross carrying amount (RMB'000)	4,643	1,225
Expected credit losses (RMB'000)	182	45

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

	2022 RMB'000	2021 RMB'000
At beginning of year	227	338
Impairment losses, net (note 6)	(27)	(111)
At end of year	200	227

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022, the loss allowance was assessed to be minimal.

24. BALANCES WITH RELATED PARTIES

	Notes	2022 RMB'000	2021 RMB'000
Amounts due from related parties:			
Ningbo Chengji Energy Trading Co., Ltd.	(i)	**10,308**	19,167
Xinao Insurance Brokers Co., Ltd.	(i)	**1,764**	320
One City One Network Technology Co., Ltd.	(ii)	**814**	–
Huzhou Shushan Sanatorium Co., Ltd.	(i)	**614**	594
Huzhou Wuxing South Taihu Agricultural Products Co., Ltd.	(i)	**594**	–
Huzhou Licheng Investment Development Co., Ltd.	(i)	**171**	–
Xinao Energy Power Technology (Shanghai) Co., Ltd.	(ii)	**100**	–
Huzhou City Water Group Co., Ltd.	(i)	**8**	–
Zhoushan ENN Energy Trading Co., Ltd.	(i)	**–**	2,488
		14,373	22,569
Amounts due to related parties:			
Zhoushan ENN Energy Trading Co., Ltd.	(iii)	**9,264**	–
Xinao (China) Gas Investment Company Limited	(iii)	**506**	–
Huzhou Huaxing Urban Construction Development Co., Ltd.	(iii)	**486**	–
Nanjing Xinao Intelligent Technology Co., Ltd.	(iii)	**8**	344
Ningbo Chengji Energy Trading Co., Ltd.	(iii)	**–**	294
New Wisdom Cloud Data Service Co., Ltd.	(iii)	**–**	4
		10,264	642
Amounts due to related parties included in contract liabilities:			
Huzhou Weineng Environment Co., Ltd.	(iv)	**1,037**	782
Huzhou City Historical Civilisation Community Protection Reconstruction Co., Ltd.	(iv)	**251**	–
Huzhou Licheng Investment Development Co., Ltd.	(iv)	**195**	951
Huzhou Northern City Construction Investment Co., Ltd.	(iv)	**20**	756
Huzhou Zhongfang Zhiye Co., Ltd.	(iv)	**12**	7
Huzhou City Water Group Co., Ltd.	(iv)	**6**	4
Huzhou Urban Construction Investment Group Co., Ltd.	(iv)	**3**	8
Huzhou Fangzong Real Estate Group Co., Ltd.	(iv)	**–**	4,043
Huzhou Jinglong Real Estate Development Co., Ltd.	(iv)	**–**	1,547
Huzhou Huaxing Urban Construction Development Co., Ltd.	(iv)	**–**	714
Huzhou City Urban Investment Yuhua Producing Management Co., Ltd.	(iv)	**–**	140
Huzhou City Investment Assets Management Co., Ltd.	(iv)	**–**	1
		1,524	8,953

24. BALANCES WITH RELATED PARTIES (continued)

	Notes	2022 RMB'000	2021 RMB'000
Amount due to a related party included in lease liabilities:			
Huzhou Huaxing Urban Construction Development Co., Ltd.	(v)	**272**	–
Amount due from a related party included in lease receivables:			
Huzhou Shushan Sanatorium Co., Ltd.	(vi)	**5,170**	4,414

(i) The amount due from the related party of RMB13,459,000 as at 31 December 2022 (2021: RMB22,569,000) was trade in nature, unsecured and interest-free.

(ii) The amounts due from related parties of RMB914,000 as at 31 December 2022 (2021: Nil) were security deposits and were trade in nature.

(iii) The amounts due to related parties of RMB10,264,000 as at 31 December 2022 (2021: RMB642,000) were trade in nature, unsecured, interest-free and repayable on demand.

(iv) The amounts due to related parties included in the contract liabilities were trade in nature, unsecured and interest-free.

(v) The amount due to the related party included in lease liabilities was trade in nature, unsecured and was paid monthly.

(vi) The amount due from the related party included in lease receivables was trade in nature, unsecured and was paid annually.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Other unlisted investments, at fair value	**–**	150,000

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

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash on hand	–	5
Cash at banks	1,079,727	588,692
	1,079,727	588,697
Less: Pledged for ETC equipment	(24)	(24)
Cash and cash equivalents	1,079,703	588,673
Denominated in Hong Kong Dollars ("**HKD**")	7,701	–
Denominated in RMB	1,072,002	588,673
	1,079,703	588,673

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	84,205	119,995
3 to 6 months	7,122	7,306
6 to 12 months	4,685	6,942
Over 1 year	5,336	6,164
	101,348	140,407

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

28. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Security deposits	**89,249**	86,549
Purchase of fixed assets	**45,950**	26,259
Payroll and welfare	**50,061**	56,625
Dividend payable	**211,975**	45,134
Other tax payables	**19,347**	20,683
Prepayment from the government for disposal of long-term assets	**23,502**	10,671
Deferred income	**–**	918
Others	**8,886**	8,811
	448,970	255,650

Other payables are non-interest-bearing and are normally settled on demand.

29. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Short-term advances received from customers:		
Sale of natural gas	**158,871**	124,332
Construction and installation services	**115,712**	162,919
Sale of household gas appliances and relevant equipment	**4,658**	4,226
	279,241	291,477
Long-term advances received from customers:		
Construction and installation services	**99,825**	86,388
Sale of natural gas	**3,547**	–
Sale of household gas appliances and relevant equipment	**6,917**	4,016
	110,289	90,404

Contract liabilities include advances received to sale of natural gas, construction and installation services, sale of household gas appliances and relevant equipment. The increase in contract liabilities in 2022 was mainly due to the increase in advances received from customers in relation to the sale of natural gas.

30. DEFERRED TAX

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

Deferred tax liabilities

	2022 Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2022	**17,370**	**26,918**	**44,288**
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	**3,555**	**(2,297)**	**1,258**
Gross deferred tax liabilities at 31 December 2022	**20,925**	**24,621**	**45,546**

	2021 Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2021	13,237	29,215	42,452
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	4,133	(2,297)	1,836
Gross deferred tax liabilities at 31 December 2021	17,370	26,918	44,288

30. DEFERRED TAX (continued)

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

Deferred tax assets

	2022					
	Impairment of financial assets RMB'000	Provision for inventories RMB'000	Government grants RMB'000	Provision for contract liabilities RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2022	391	281	4,290	1,956	30	6,948
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	46	(133)	256	(468)	(14)	(313)
Deferred tax charged to other comprehensive income during the year	(50)	–	–	–	–	(50)
Gross deferred tax assets at 31 December 2022	387	148	4,546	1,488	16	6,585

	2021					
	Impairment of financial assets RMB'000	Provision for inventories RMB'000	Government grants RMB'000	Provision for contract liabilities RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2021	489	487	267	3,208	–	4,451
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(90)	(206)	4,023	(1,252)	30	2,505
Deferred tax charged to other comprehensive income during the year	(8)	–	–	–	–	(8)
Gross deferred tax assets at 31 December 2021	391	281	4,290	1,956	30	6,948

30. DEFERRED TAX (continued)

Deferred tax assets (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	1,662	1,365
Net deferred tax liabilities recognised in the consolidated statements of financial position	40,623	38,705

The Group has no tax losses arising in Mainland China (2021: RMB1,031,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group's investment in a joint venture amounted to RMB5,581,000 (2021: RMB8,553,000) as at 31 December 2022. The difference between the net book value and the original investment of RMB5,000,000 is the temporary difference that deferred tax liabilities has not been recognised. Deferred tax liabilities have not been recognised as the Company does not intend to dispose the joint venture in the foreseeable future.

31. OTHER NON-CURRENT LIABILITIES

	2022 RMB'000	2021 RMB'000
Prepayment from the government for the disposal of long-term assets	57,028	–
The government grants related to asset construction and operation of a new gas station	15,239	15,239
Other tax payables	412	–
	72,679	15,239

32. SHARE CAPITAL

Shares

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
202,715 (2021: 150,000) ordinary shares	**202,715**	150,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue '000	Share capital RMB'000
At 1 January 2021	–	98,947
Conversion into a joint stock company upon restructuring	150,000	51,053
At 31 December 2021 and 1 January 2022	**150,000**	**150,000**
Issue of shares	**52,715**	**52,715**
At 31 December 2022	**202,715**	**202,715**

Note: In connection with the global offering of the Company's H Shares on the Stock Exchange ("**Global Offering**"), on 13 July 2022, 50,000,000 ordinary shares of RMB1.00 each were issued at a subscription price of HK$6.08 per share, and on 8 August 2022, 2,714,500 ordinary shares of RMB1.00 each were issued by partial exercise of an over-allotment option at a price of HK$6.08 per share. After deducting expenses related to issue of shares, the share capital and share premium of the Company increased by RMB52,715,000 and RMB206,241,000, respectively.

33. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 68 to 69 of the financial statements.

Other reserve

On 17 July 2019, the Group disposed of partial interests in a subsidiary without losing control. The difference between the consideration and the proportionate share of net assets disposed of and net with the proportionate of tax was recorded in other reserve.

Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Mainland China (the "**PRC Subsidiaries**"), each PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be reorganised as paid-up capital, provided that the remaining balance after the reorganisation is not less than 25% of the registered capital.

The SSR is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

In accordance with the Company Law of the PRC, profits after tax of the PRC companies can be distributed as dividends after the appropriation to the SSR as set out above.

Distributable reserve

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in the Historical Financial Information which is prepared in accordance with IFRSs.

Special reserve – safety fund

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

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Groups' subsidiaries that have material non-controlling interests are set out below:

	2022	2021
Percentage of equity interests held by non-controlling interests:		
Nanxun Xinao	49%	49%
Nanxun Xinao Development	49%	49%
Huran New Energy	5%	–

	2022 RMB'000	2021 RMB'000
Profit for the year allocated to non-controlling interests:		
Nanxun Xinao	9,319	36,712
Nanxun Xinao Development	15,769	10,266
Huran New Energy	67	–
Dividend paid to non-controlling interest of Nanxun Xinao	22,816	57,874
Dividend paid to non-controlling interest of Nanxun Xinao Development	13,083	12,650
Accumulated balances of non-controlling interests at the reporting date:		
Nanxun Xinao	42,716	56,190
Nanxun Xinao Development	20,330	17,643
Huran New Energy	3,257	–

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Nanxun Xinao	2022 RMB'000	2021 RMB'000
Revenue	**1,316,274**	898,423
Cost	**(1,271,682)**	(777,030)
Total expenses	**(25,573)**	(46,470)
Profit for the year	**19,019**	74,923
Total comprehensive income for the year	**19,066**	74,919
Current assets	**101,666**	112,081
Non-current assets	**288,260**	249,627
Current liabilities	**(169,377)**	(244,844)
Non-current liabilities	**(133,374)**	(2,191)
Net cash flows generated from operating activities	**11,100**	117,320
Net cash flows used in investing activities	**(52,994)**	(25,787)
Net cash flows generated from/(used in) financing activities	**35,161**	(53,018)
Net increase/(decrease) in cash and cash equivalents	**(6,733)**	38,515

Nanxun Xinao Development	2022 RMB'000	2021 RMB'000
Revenue	**171,150**	99,101
Cost	**(133,365)**	(74,637)
Total expenses	**(5,604)**	(3,512)
Profit for the year	**32,181**	20,952
Total comprehensive income for the year	**32,184**	20,950
Current assets	**111,896**	178,610
Non-current assets	**118,685**	2,102
Current liabilities	**(85,611)**	(103,670)
Non-current liabilities	**(103,480)**	(41,035)
Net cash flows generated from operating activities	**65,522**	44,384
Net cash flows generated from/(used in) investing activities	**44,178**	(149,380)
Net cash flows used in financing activities	**(26,024)**	(22,685)
Net increase/(decrease) in cash and cash equivalents	**83,676**	(127,681)

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Huran New Energy	2022 RMB'000
Revenue	1,489
Cost	(362)
Total expenses	208
Profit for the year	1,335
Total comprehensive income for the year	1,335
Current assets	21,771
Non-current assets	56,771
Current liabilities	(683)
Non-current liabilities	(2,334)
Net cash flows generated from operating activities	955
Net cash flows used in investing activities	(21,367)
Net cash flows generated from financing activities	74,123
Net increase in cash and cash equivalents	53,711

35. DISPOSAL OF A SUBSIDIARY

	As at 28 December 2022 RMB'000
Net assets disposed of:	
Cash and cash equivalents	–
Proportion of the Group's ownership interest	100%
Share of net assets of the subsidiary	–
Satisfied by:	
Loss on disposal	–

35. DISPOSAL OF A SUBSIDIARY (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Year ended 28 December 2022 RMB'000
Cash consideration	–
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–

On 28 December 2022, the Company's subsidiary, Huzhou Xinao Transportation Company Limited was deregistered, with a balance of cash and cash equivalents amounting to RMB11.39.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB9,592,000 (2021: RMB1,965,000) and RMB9,592,000 (2021: RMB1,965,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Dividends RMB'000
At 1 January 2022	–	1,105	45,134
Changes from financing cash flows	(2,295)	(2,115)	(45,134)
Interest expense	2,295	173	–
New leases	–	9,592	–
Dividend declared during the year	–	–	211,975
At 31 December 2022	–	8,755	211,975

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Dividends RMB'000
At 1 January 2021	–	321	11,116
Changes from financing cash flows	(1,176)	(1,240)	(36,506)
Interest expense	1,176	59	–
New leases	–	1,965	–
Dividend declared during the year	–	–	70,524
At 31 December 2021	–	1,105	45,134

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**206**	211
Within financing activities	**2,115**	1,240
	2,321	1,451

37. PLEDGE OF ASSETS

Details of the Group's assets pledged for electronic toll collection ("**ETC**") equipment are included in note 26 to the financial statements.

38. COMMITMENTS

The Group has various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts are RMB136,000 due within one year, RMB4,000 due in the second to fifth years.

39. RELATED PARTY TRANSACTIONS

(a) Name and relationship:

Name of related party	Relationship with the Group
Xinao (China) Gas Investment Company Limited ("**ENN (China)**") (新奧(中國)燃氣投資有限公司)	Shareholder of the Company
Langfang Branch of Xinao (China) Gas Investment Company Limited ("**Langfang Branch of ENN (China)**") (新奧(中國)燃氣投資有限公司廊坊分公司)	Branch of shareholder of the Company
Huzhou Zhongshihua Xinao Natural Gas Co., Ltd. ("**Zhongshihua Xinao**") (湖州中石化新奧天然氣有限公司)	Joint venture
Huzhou Huaxing Urban Construction Development Co., Ltd. ("**Huzhou Huaxing**") (湖州市華興城建發展有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Fangzong Real Estate Group Co., Ltd. ("**Huzhou Fangzong**") (湖州房總地產開發集團有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Zhongfang Zhiye Co., Ltd. ("**Huzhou Zhongfang Zhiye**") (湖州中房置業有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Minsheng Construction Co., Ltd. ("**Huzhou Minsheng**") (湖州市民生建設有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Urban Construction Investment Group Co., Ltd. ("**Huzhou Urban Construction**") (湖州市城建投資集團有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Shushan Sanatorium Co., Ltd. ("**Shushan Sanatorium**") (湖州蜀山老年醫院有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Zhongcheng Construction Development Co., Ltd. ("**Huzhou Zhongcheng**") (湖州中城建設發展股份有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Weineng Environment Co., Ltd. ("**Weineng Environment**") (湖州威能環境服務有限公司)	Company controlled by the controlling shareholder of the Company

39. RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship: (continued)

Name of related party	Relationship with the Group
Huzhou Northern City Construction Investment Co., Ltd. ("**Huzhou Northern City**") (湖州市北建設投資有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Investment Assets Management Co., Ltd. ("**Huzhou Assets Management**") (湖州市城投資產管理有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Licheng Investment Development Co., Ltd. ("**Huzhou Licheng**") (湖州立城投資建設有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Historical Civilisation Community Protection Reconstruction Co., Ltd. ("**Huzhou Historical Reconstruction**") (湖州市歷史文化街區保護改造有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Water Group Co., Ltd. ("**Huzhou Water**") (湖州市水務集團有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Tongcheng Investment Development Co., Ltd. ("**Huzhou Tongcheng**") (浙江童城投資發展有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Urban Investment Yuhua Producing Management Co., Ltd. ("**Yuhua Producing Management**") (湖州市城投育華物產管理有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Jinglong Real Estate Development Co., Ltd. ("**Jinglong Real Estate**") (湖州璟瓏房地產開發有限公司)	Company controlled by the controlling shareholder of the Company
Hangzhou Xiaoshan Pipeline Gas Development Co., Ltd. ("**Hangzhou Xiaoshan Pipeline Gas**") (杭州蕭山管道燃氣發展有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Wuxing South Taihu Agricultural Products Co., Ltd. ("**South Taihu Agricultural Products**") (湖州吳興南太湖農產品有限公司)	Company controlled by the controlling shareholder of the Company

39. RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship: (continued)

Name of related party	Relationship with the Group
ENN Group Co., Ltd. (新奧集團股份有限公司)	Company controlled by shareholders of the Company
Ningbo Chengji Energy Trading Co., Ltd. ("**Ningbo Intercity**") (寧波城際能源貿易有限公司)	Company controlled by shareholders of the Company
Nanjing Xinao Intelligent Technology Co., Ltd. ("**Nanjing Xinao Technology**") (南京新奧智能科技有限公司)	Company controlled by shareholders of the Company
New Wisdom Cloud Data Service Co., Ltd. ("**New Wisdom**") (新智雲數據服務有限公司)	Company controlled by shareholders of the Company
Xinao Insurance Brokers Co., Ltd. ("**Xinao Brokers**") (新奧保險經紀有限公司)	Company controlled by shareholders of the Company
ENN Hengxin Investment Co., Ltd. ("**Hengxin Investment**") (新奧恒新投資有限公司)	Company controlled by shareholders of the Company
Xinao Xinneng (Zhejiang) Energy Trading Co., Ltd. ("**Xinao Xinneng**") (新奧新能(浙江)能源貿易有限公司)	Company controlled by shareholders of the Company
Langfang Yitongcheng Business Service Co., Ltd. ("**Langfang Yitongcheng**") (廊坊易通程商務服務有限公司)	Company controlled by shareholders of the Company
Zhoushan ENN Energy Trading Co., Ltd. (舟山新奧能源貿易有限公司)	Company controlled by shareholders of the Company
One City One Network Technology Co., Ltd. (一城一家網絡科技有限公司)	Company controlled by shareholder of the Company
Zhejiang Xin'ao Energy Development Co., Ltd. ("**Zhejiang Xin'ao Energy**") (浙江新奧能源發展有限公司)	Company controlled by shareholder of the Company

39. RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship: (continued)

Name of related party	Relationship with the Group
Longyou Xinao Intelligent Energy Co., Ltd. ("**Longyou Xinao**") (龍游新奧智慧能源有限公司)	Company controlled by shareholder of the Company
Wenzhou Xinao Gas Co., Ltd. ("**Wenzhou Xinao**") (溫州新奧燃氣有限公司)	Company controlled by shareholder of the Company
Bengbu Xinao Gas Company Limited (蚌埠新奧燃氣有限公司)	Company controlled by shareholder of the Company
Xinao Energy Power Technology (Shanghai) Co., Ltd. ("**Xinao Energy Power**") (新奧能源動力科技(上海)有限公司)	Company controlled by shareholder of the Company
ENN (Zhoushan) LNG Co., Ltd. (新奧(舟山)液化天然氣有限公司)	Company controlled by shareholder of the Company

(b) The Group had the following transactions with related parties during the year:

	Notes	2022 RMB'000	2021 RMB'000
Joint venture:			
Purchase of LNG from			
Zhongshihua Xinao	(i)	**234**	189
Rental income from			
Zhongshihua Xinao	(ii)	**526**	747
Others:			
Purchase of materials from			
Nanjing Xinao Technology	(i)	**2,731**	1,594
Huzhou Water	(i)	**27**	–
		2,758	1,594

39. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year: (continued)

	Notes	2022 RMB'000	2021 RMB'000
Others: (continued)			
Purchase of LNG from			
Ningbo Intercity	(i)	**28,732**	13,188
Purchase of PNG from			
Ningbo Intercity	(i)	**454,580**	1,091,532
Purchase of services from			
Xinao Xinneng and a subsidiary of the shareholder of the Company	(xi)	**16,254**	20,390
ENN (Zhoushan) LNG Co., Ltd.	(xi)	**6,666**	–
		22,920	20,390
Administrative and selling expenses paid to			
Langfang Branch of ENN (China)	(iii)	**184**	–
One City One Network Technology Co., Ltd.	(iii)	**101**	–
Hengxin Investment	(ix)	**93**	1,120
Longyou Xinao	(iii)	**29**	–
Zhejiang Xin'ao Energy	(iii)	**24**	–
New Wisdom	(iii)	**17**	4
Hangzhou Xiaoshan Pipeline Gas	(iii)	**3**	–
Langfang Yitongcheng	(iii)	**2**	2
Bengbu Xinao Gas Company Limited	(iii)	**1**	–
		454	1,126
Insurance referral service provided to			
Xinao Brokers	(iv)	**4,743**	5,515

39. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year: (continued)

	Notes	2022 RMB'000	2021 RMB'000
Others: (continued)			
Sale of natural gas to			
Weineng Environment	(v)	602	3,006
Huzhou Licheng	(v)	32	24
Huzhou Urban Construction	(v)	22	3
Shushan Sanatorium	(v)	20	–
Huzhou Water	(v)	8	4
Huzhou Assets Management	(v)	6	4
Yuhua Producing Management	(v)	5	4
Huzhou Huaxing	(v)	4	176
Huzhou Zhongcheng	(v)	–	21
		699	3,242
Sale of goods to			
Huzhou Fangzong	(iv)	1,266	264
Huzhou Northern City	(iv)	380	–
Jinglong Real Estate	(iv)	328	–
Hangzhou Xiaoshan Pipeline Gas	(iv)	–	6
		1,974	270
Provision of construction and installation services to			
Huzhou Fangzong	(vi)	3,352	11,256
Huzhou Licheng	(vi)	952	541
Jinglong Real Estate	(vi)	633	1,785
South Taihu Agricultural Products	(vi)	546	–
Huzhou Northern City	(vi)	503	2,789
Huzhou Huaxing	(vi)	356	1,658
Yuhua Producing Management	(vi)	134	100
Weineng Environment	(vi)	–	3,225
Shushan Sanatorium	(vi)	–	2,435
Huzhou Minsheng	(vi)	–	1,437
Huzhou Tongcheng	(vi)	–	479
Huzhou Zhongcheng	(vi)	–	282
Huzhou Historical Reconstruction	(vi)	–	96
		6,476	26,083

39. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year: (continued)

	Notes	2022 RMB'000	2021 RMB'000
Others: (continued)			
Finance income on the net investment in a lease from			
Shushan Sanatorium	(vii)	**756**	763
Sale of energy to			
Shushan Sanatorium	(iv)	**2,447**	2,050
Income from distributed photovoltaic power to			
Huzhou Licheng	(iv)	**943**	–
South Taihu Agricultural Products	(iv)	**381**	–
		1,324	–
Sale of service to			
Hangzhou Xiaoshan Pipeline Gas	(iv)	**47**	38
Wenzhou Xinao	(iv)	**23**	11
		70	49
Rental expenses to			
Huzhou Huaxing	(x)	**260**	266

Notes:

(i) Transaction prices of purchases from related parties were determined based on prices by the related parties to independent third parties.

(ii) Rental income represents considerations received for the rental of investment properties to the Group's related party. Annual rentals were determined with reference to transaction prices of similar properties in open rental market.

(iii) Administrative and selling expenses were mainly IT service, training, conference and charge services provided by the related parties. The transaction prices were determined based on prices by the related parties to independent third parties.

(iv) Service and goods income from related parties was determined based on prices and conditions of transactions with the Group's major independent third-party customers.

(v) The sales prices of natural gas to related parties were determined according to the published prices and conditions offered to the major independent third -party customers of the Group.

(vi) Transaction prices of provision of construction and installation services rendered to related parties were determined based on prices and conditions offered by the Group to the major independent third-party customers.

(vii) Finance income on the net investment in a lease was determined based on terms of the contract offered by the Group.

39. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year: (continued)

Notes: (continued)

(viii) The Group is authorised by ENN (China) to use the ERP system free of charge, which is bought by ENN (China).

(ix) During 1 January 2019 to 31 December 2020, no fee had been charged by Hengxin Investment in respect of the Group's use of the Call Centre System Service. During 1 January 2021 to 30 December 2021, Hengxin Investment started to charge the Call Centre System Service fee as well as a startup fee which represents the fee for design, implementation and services rendered by Hengxin Investment during the past years. Since 2021, Hengxin Investment charges fee for the Call Centre System service every half year.

(x) The fee for the leasing services paid to the related party was determined with reference to transaction prices of similar properties in open rental market.

(xi) The Group entered into an agreement with Xinao Xinneng (Zhejiang) Energy Trading Co., Ltd. and a subsidiary of the shareholder of the Company, pursuant to which Xinao Xinneng (Zhejiang) Energy Trading Co., Ltd. and a subsidiary of the shareholder of the Company shall provide to the Group the capacity of natural gas storage of not less than 5% of the Group's annual natural consumption volume ("**Natural Gas Reserve Service**") for a term from 1 January 2021 to 31 December 2024.

(c) Outstanding balances with related parties:

Details of the Group's balances with related parties at the end of the reporting period are disclosed in note 24 to the financial statements.

(d) Compensation of key management personnel of the Group:

Details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The portion of the related party transactions above (except transactions with Zhongshihua Xinao, a joint venture) that took place on or after the listing date of 13 July 2022 also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
		Debt investments	
	RMB'000	RMB'000	RMB'000
Lease receivable	5,170	–	5,170
Trade receivables	27,159	–	27,159
Financial assets included in prepayments, other receivables and other assets	2,099	–	2,099
Due from related parties	13,432	–	13,432
Pledged deposits	24	–	24
Cash and cash equivalents	1,079,703	–	1,079,703
Bills receivable	–	31,096	31,096
	1,127,587	31,096	1,158,683

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	101,348
Financial liabilities included in other payables and accruals	356,060
Due to related parties	10,264
	467,672

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
	Mandatorily designated as such		Debt investments	
	RMB'000	RMB'000	RMB'000	RMB'000
Lease receivable	–	4,414	–	4,414
Trade receivables	–	19,074	–	19,074
Financial assets included in prepayments, other receivables and other assets	–	5,641	–	5,641
Due from related parties	–	914	–	914
Pledged deposits	–	24	–	24
Cash and cash equivalents	–	588,673	–	588,673
Financial assets at fair value through profit or loss	150,000	–	–	150,000
Bills receivable	–	–	47,283	47,283
	150,000	618,740	47,283	816,023

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	140,407
Financial liabilities included in other payables and accruals	166,535
Due to related parties	642
	307,584

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**–**	150,000	**–**	150,000
Bills receivable	**31,096**	47,283	**31,096**	47,283
	31,096	197,283	**31,096**	197,283

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, trade receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade payables, financial liabilities included in other payables and accruals, amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Bills receivable held both to collect cash flows and to sell in financial assets at fair value through other comprehensive income are measured using the discounted cash flow method.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Bills receivable	**–**	**31,096**	**–**	**31,096**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable	–	47,283	–	47,283
Financial assets at fair value through profit or loss	–	150,000	–	150,000
	–	197,283	–	197,283

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 31 December 2021.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at 31 December 2022, there was no interest-bearing bank borrowings of the Group with floating interest rates denominated in RMB. As the amount of the long-term debts are small, changes in interest rates will have little impact on profit after tax and the interest rate risk of the Group is small.

The Group does not use derivative financial instruments to hedge its interest rate risk.

Foreign currency risk

The Group's businesses are located in Mainland China and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the exchange rate between HK$ and RMB, with all other variables held constant, of the Group's profit after tax and equity.

2022	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
If RMB weakens against HK$	(5)	289	289
If RMB strengthens against HK$	5	(289)	(289)

* Excluding retained profits

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Lease receivables – normal**	5,170	–	–	–	5,170
Trade and bills receivables*	–	–	–	59,425	59,425
Financial assets included in prepayments, other receivables and other assets – normal**	2,299	–	–	–	2,299
Due from related parties – normal**	13,432	–	–	–	13,432
Pledged deposits – not yet past due	24	–	–	–	24
Cash and cash equivalents – not yet past due	1,079,703	–	–	–	1,079,703
	1,100,628	–	–	59,425	1,160,053

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Lease receivables – normal**	4,414	–	–	–	4,414
Trade and bills receivables*	–	–	–	67,313	67,313
Financial assets included in prepayments, other receivables and other assets – normal**	5,641	–	–	–	5,641
Due from related parties – normal**	914	–	–	–	914
Pledged deposits – not yet past due	24	–	–	–	24
Cash and cash equivalents – not yet past due	588,673	–	–	–	588,673
	599,666	–	–	67,313	666,979

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents, the use of bank loans and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2022					
	On demand RMB'000	Less than 1 year RMB'000	1 years to 2 years RMB'000	2 years to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	101,348	–	–	–	101,348
Financial liabilities included in other payables and accruals	–	356,060	–	–	–	356,060
Due to related parties	–	10,264	–	–	–	10,264
Lease liabilities	–	1,101	585	1,728	11,078	14,492
	–	468,773	585	1,728	11,078	482,164

	2021				
	On demand RMB'000	Less than 1 year RMB'000	1 years to 2 years RMB'000	2 years to 5 years RMB'000	Total RMB'000
Trade payables	–	140,407	–	–	140,407
Financial liabilities included in other payables and accruals	–	166,535	–	–	166,535
Due to related parties	–	642	–	–	642
Lease liabilities	–	545	459	128	1,132
	–	308,129	459	128	308,716

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using gearing ratio, which is net debt divided by the capital plus net debt. The Group's net debt includes lease liabilities, less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent. The gearing ratios at the end of the reporting periods were as follows:

	2022 RMB'000	2021 RMB'000
Lease liabilities	8,755	1,105
Less: Cash and cash equivalents	(1,079,703)	(588,673)
Pledged deposits	(24)	(24)
Net debt	(1,070,972)	(587,592)
Equity attributable to owners of the parent	1,131,012	943,916
Capital and net debt	60,040	356,324
Gearing ratio	N/A*	N/A*

* As at 31 December 2022 and 31 December 2021, the Group's balance of cash and cash equivalents and pledged deposits exceeded the financial liabilities. As such, there were no gearing ratio as at 31 December 2022 and 31 December 2021.

43. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2023, the board of directors proposed the payment of a final dividend of RMB0.30 per share, amounting to RMB60,814,350 (tax inclusive), for the year ended 31 December 2022. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Lease receivables	3,563	3,607
Property, plant and equipment	268,131	252,883
Investment properties	1,638	1,947
Investments in subsidiaries	451,516	380,516
Investments in joint ventures	5,581	8,553
Right-of-use assets	24,756	25,755
Other intangible assets	361	376
Total non-current assets	755,546	673,637
CURRENT ASSETS		
Due from related parties	50,072	93,555
Inventories	6,174	4,147
Lease receivables	1,607	807
Trade and bills receivables	41,319	42,054
Prepayments, other receivables and other assets	19,460	16,607
Pledged deposits	20	20
Cash and cash equivalents	661,394	315,599
Total current assets	780,046	472,789
CURRENT LIABILITIES		
Trade payables	14,685	28,662
Other payables and accruals	329,648	134,499
Contract liabilities	98,939	71,665
Due to related parties	24,290	19,827
Tax payables	7,816	165
Lease liabilities	322	374
Total current liabilities	475,700	255,192

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	2022 RMB'000	2021 RMB'000
NET CURRENT ASSETS	304,346	217,597
TOTAL ASSETS LESS CURRENT LIABILITIES	1,059,892	891,234
NON-CURRENT LIABILITIES		
Contract liabilities	–	4,016
Deferred tax liabilities	1,386	567
Other non-current liabilities	15,239	15,239
Lease liabilities	2	319
Total non-current liabilities	16,627	20,141
Net assets	1,043,265	871,093
EQUITY		
Share capital	202,715	150,000
Other reserves	840,550	721,093
Total equity	1,043,265	871,093

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2021	98,947	540,168	49,473	(265)	105,185	793,508
Profit for the year	–	–	–	–	77,555	77,555
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	–	–	–	30	–	30
Total comprehensive income for the year	–	–	–	30	77,555	77,585
Statutory reserve	–	–	7,756	–	(7,756)	–
Conversion into a joint stock company upon restructuring	51,053	51,619	(49,473)	–	(53,199)	–
At 31 December 2021 and 1 January 2022	150,000	591,787	7,756	(235)	121,785	871,093
Profit for the year	–	–	–	–	89,192	89,192
Other comprehensive income for the year:						
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	–	–	–	100	–	100
Total comprehensive income for the year	–	–	–	100	89,192	89,292
Statutory reserve	–	–	8,919	–	(8,919)	–
Dividend declared	–	–	–	–	(176,076)	(176,076)
Issue of shares	52,715	222,079	–	–	–	274,794
Share issue expenses	–	(15,838)	–	–	–	(15,838)
At 31 December 2022	202,715	798,028	16,675	(135)	25,982	1,043,265

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue	1,228,565	1,630,421	1,422,038	1,858,737	**2,579,459**
Cost of sales	(1,083,643)	(1,402,256)	(1,172,024)	(1,573,265)	**(2,465,002)**
Gross profit	144,922	228,165	250,014	285,472	**114,457**
Selling and distribution expenses	(11,822)	(22,504)	(24,049)	(35,056)	**(32,430)**
Administrative expenses	(16,161)	(22,215)	(28,469)	(40,210)	**(49,060)**
Other expenses	(608)	(582)	(539)	(4,965)	**(2,648)**
Profit before tax	121,154	192,946	257,654	221,688	**170,896**
Income tax expense	(29,595)	(49,046)	(65,387)	(54,996)	**(41,650)**
Profit for the year	91,559	143,900	192,267	166,692	**129,246**
Attributable to:					
Owners of the parent	66,584	94,956	145,560	119,714	**104,091**
Non-controlling interests	24,975	48,944	46,707	46,978	**25,155**
Total non-current assets	831,335	915,120	928,050	998,293	**1,080,226**
Total current assets	524,283	673,427	671,250	894,606	**1,218,617**
Total current liabilities	470,168	581,274	554,835	729,232	**866,940**
Total non-current liabilities	98,765	121,880	122,908	145,918	**234,588**
Equity attributable to owners of the parent	645,840	823,595	824,175	943,916	**1,131,012**