嘉興市燃氣集團股份有限公司

JIAXING GAS GROUP CO., LTD.*

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

Stock code : 9908

GLOBAL OFFERING

Joint Sponsors

交銀國際 BOCOM International

LY CAPITAL LIMITED 絡繹資本有限公司

Joint Global Coordinators

交銀國際 BOCOM International

建银国际 CCB International

* *For identification purposes only*

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

嘉興市燃氣集團股份有限公司
JiaXing Gas Group Co., Ltd.*

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

GLOBAL OFFERING

Number of Offer Shares	**:**	**33,340,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**3,334,000 H Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**30,006,000 H Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**not more than HK$12.00 per H Share and not less than HK$9.00 per H Share (payable in full on application in Hong Kong dollars, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**9908**

Joint Sponsors

交銀國際 BOCOM International

LY CAPITAL LIMITED 絡繹資本有限公司

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International

建银国际 CCB International

Joint Bookrunners and Joint Lead Managers

光銀國際 CEB International

光大新鴻基 EVERBRIGHT SUN HUNG KAI

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

民銀證券 CMBC SECURITIES COMPANY LIMITED

東興證券(香港) DONGXING SECURITIES (HONG KONG)

千里碩 ELSTONE

安信國際 ESSENCE INTERNATIONAL

FOSUN HANI 復星恒利

國信證券(香港) GUOSEN SECURITIES (HK)

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

利弗莫尔证券 Livermore Holdings Limited

邁時資本 MAXA CAPITAL

越秀証券 YUEXIU SECURITIES

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "A. Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between BOCOM International Securities (for itself and on behalf of the other Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 9 July 2020 (Hong Kong time) and, in any event, not later than Friday, 10 July 2020 (Hong Kong time). The Offer Price will be not more than HK$12.00 and is currently expected to be not less than HK$9.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Friday, 10 July 2020 (Hong Kong time) between BOCOM International Securities (for itself and on behalf of the other Underwriters) and the Company, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK$12.00 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$12.00.

BOCOM International Securities, on behalf of the other Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price Range below that stated in this prospectus (which is HK$9.00 to HK$12.00) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price Range will be published as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notices will also be available on the website of our Company at www.jxrqgs.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and Appendix V and Appendix VI to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by BOCOM International Securities (for itself and on behalf of the other Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered, sold outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

** For identification purposes only*

30 June 2020

	Date ***(Note 1)*** *2020*
Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways *(Note 2)*: (1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp** (2) the designated website **www.hkeipo.hk**	11:30 a.m. on Wednesday, 8 July
Application lists open *(Note 3)*	11:45 a.m. on Wednesday, 8 July
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 8 July
Latest time to give **electronic application instructions** to HKSCC *(Note 4)*	12:00 noon on Wednesday, 8 July
Latest time to complete payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 8 July
Application lists close	12:00 noon on Wednesday, 8 July
Expected Price Determination Date	Thursday, 9 July

Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offer;
- the level of indications of interest in the International Placing; and
- the basis of allotment of the Hong Kong Offer Shares

will be published on our website at **www.jxrqgs.com** *(Note 5)* and the website of the Stock Exchange at **www.hkexnews.hk** *(Note 6)* on or before *(Note 10)*	Wednesday, 15 July
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the paragraph headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus from *(Note 10)*	Wednesday, 15 July

2020

Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) will be available at the "Allotment Result" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function *(Note 10)* .Wednesday, 15 July

H Share certificates in respect of wholly or partially successful applications will be despatched or deposited into CCASS on or before *(Notes 7 and 10)* . . . . .Wednesday, 15 July

Refund cheques (if applicable) will be despatched on or before *(Notes 7, 9 and 10)* . . . . .Wednesday, 15 July

HK eIPO White Form e-Auto Refund Payment Instructions will be despatched on or before *(Notes 8 to 10)* . . . . .Wednesday, 15 July

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on *(Note 10)* . . . . .Thursday, 16 July

The application for the Hong Kong Offer Shares will commence on Tuesday, 30 June 2020 through Wednesday, 8 July 2020, being longer than the usual market practice of four days, and the gap between the application lists closing date and the Listing Date is slightly longer than the usual market practice of six days. The application monies (including the brokerage, SFC transaction levies and Stock Exchange trading fees) is expected to be held by the receiving bank on behalf of our Company and the refund monies, if any, is expected to be returned to the applicants without interest on Wednesday, 15 July 2020. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, 16 July 2020.

Notes:

1. All dates and times refer to Hong Kong dates and local time unless otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published on our website at **www.jxrqgs.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

2. You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning, an announcement of "extreme conditions" by the government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 8 July 2020, the application lists will not open and close on that day. Please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus.

4. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

5. None of the website or any of the information contained on the website forms part of this prospectus.

6. The announcement will be available for viewing on the Stock Exchange's website at **www.hkexnews.hk**.

7. Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 July 2020. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives each bearing a letter of authorisation from his/her corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

8. Applicants who apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account. Applicants who apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, may have refund cheques sent to the address specified in their application instructions to the designated **HK eIPO White Form** Service Provider by ordinary post and at their own risk.

9. e-Auto Refund Payment Instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

10. In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, 30 June 2020 and Thursday, 16 July 2020, then the day of (i) announcement of results of allocations in the Hong Kong Public Offer; (ii) despatch of H Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Thursday, 16 July 2020. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at www.jxrqgs.com, does not form part of this prospectus.

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We are the largest piped natural gas (PNG) operator in Jiaxing (嘉興), a major prefecture-level city in Zhejiang Province, the PRC. Since 2008, as the grantee of the Concessions, we have been the exclusive distributor of PNG in our Operating Area in Jiaxing under the Concession Agreements. Our Operating Area is located within Jiaxing Port Area and Jiaxing Urban Area. According to the F&S Report, we were:

– the largest PNG distributor in Jiaxing in terms of PNG sales volume in 2019, with a market share of 22.7% (where the top five PNG distributors in Jiaxing together accounted for 61% of the entire Jiaxing PNG distribution market);
– the fifth largest PNG distributor out of approximately 220 natural gas operators in Zhejiang Province in terms of PNG sales volume in 2019, with a market share of 2.5% (where the top PNG distributor accounted for 5.9% of the market share) *(Note)*; and
– one of the two natural gas concession operators in Zhejiang Province investing in and managing a LNG storage and transportation station to import LNG from overseas.

Note:

The natural gas sales volume in Jiaxing represented 11.0% of the natural gas sales volume in Zhejiang Province, which in turn represented 4.8% of the natural gas sales volume in the PRC in 2019 according to the F&S Report. Please see the paragraph headed "Industry Overview – China, Zhejiang Province and Jiaxing Natural Gas Industry Overview" in this prospectus for details.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our growth is derived from our following competitive strengths:

– We are a well-established natural gas operator in Jiaxing with high growth in GDP and natural gas consumption;
– We have investments in the Dushan Port Project from which we may expand our business presence to other cities in the Yangtze River Delta and enjoy greater flexibility in both purchase and selling price of natural gas;
– The strategic mix of capital investments in and the lease of urban pipeline network and gas facilities allow us to operate our PNG business in a cost-effective way; and
– We have an experienced, stable and professional management team supported by highly-skilled employees.

Please refer to the paragraph headed "Business – Our Competitive Strengths" in this prospectus for details.

OUR STRATEGIES

We wish to strengthen our market position in the natural gas industry in Jiaxing and Zhejiang Province through the following strategies:

– Enhance our sales of PNG in Jiaxing by upgrading our pipeline network and operational facilities;
– Expand our business to other cities by:
  (a) continuing our investment in the Dushan Port Project to capture opportunities of sales of natural gas to the neighbouring cities in Yangtze River Delta; and
  (b) selectively pursue strategic acquisition or partnership opportunities in respect of operators in natural gas, new energy and related industry; and
– Improve efficiency in and enhance safety of our existing operation.

Please refer to the paragraph headed "Business – Our Strategies" in this prospectus for details.

OUR BUSINESS

During the Track Record Period, our principal business is as follows:

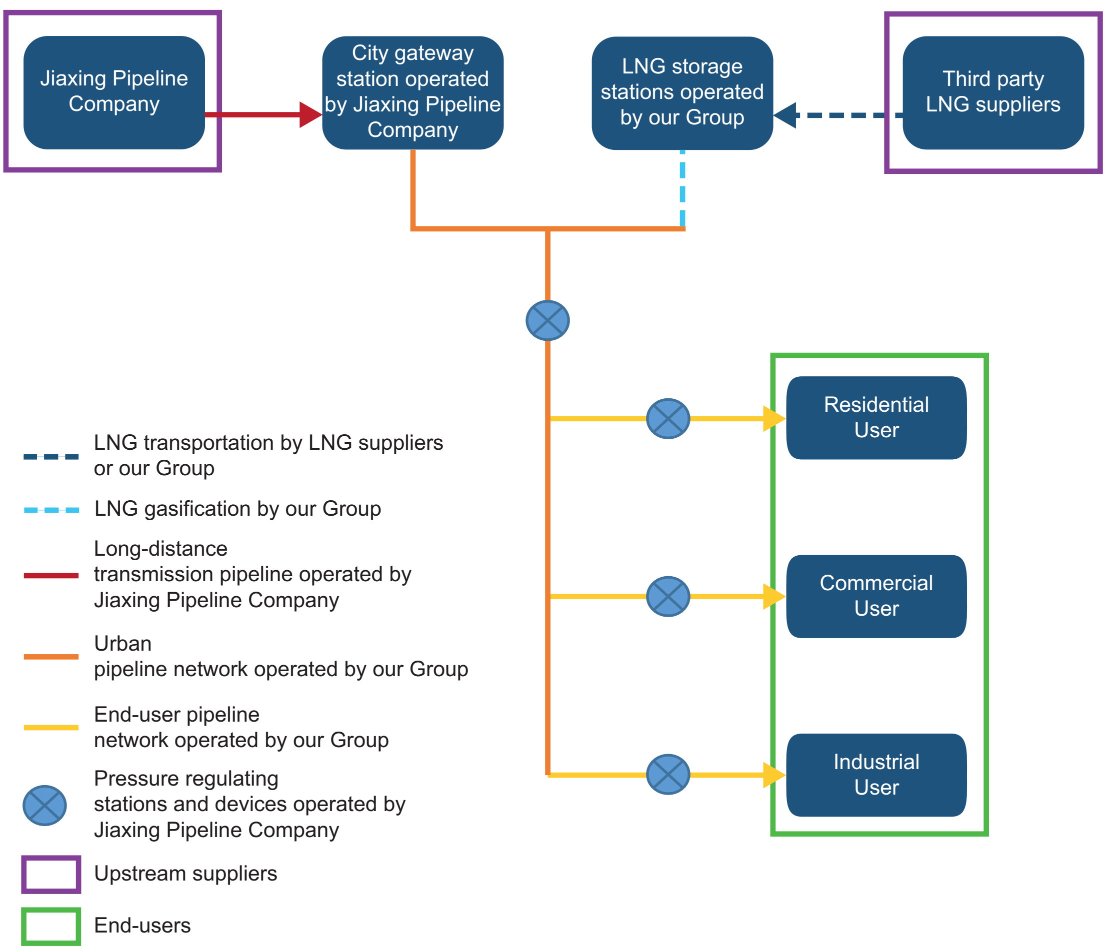
Business	Customers
Sales of gas, mainly PNG in Jiaxing (under the Concessions), LNG and LPG	Residential and non-residential users of gas, principally in Jiaxing
Provision of construction and installation services to construct and install end-user pipeline network and gas facilities	Including property developers and owners or occupants of residential and non-residential properties
Other business, including provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties	Customers which require such services or products. Please refer to the paragraph headed "Business – Other Businesses" in this prospectus

During the Track Record Period, the majority of our revenue was generated from our PNG operations pursuant to the Concessions, which is the sales of PNG in our Operating Area. We were granted two Concessions, namely the Jiaxing Urban Area Concession and the Jiaxing Port Area Concession, by the relevant Jiaxing local authorities in 2008, under which we obtained exclusive rights to sell and distribute PNG in our Operating Area and to construct urban pipeline network and gas facilities in our Own Pipeline Area which is located in the Operating Area, for an initial term of 25 years from 1 January 2008 to 31 December 2032 and 1 May 2008 to 30 April 2033, respectively, subject to renewal. Given that we are the only operator qualified to distribute PNG through pipeline networks in our Operating Area, there is no indication that we will be required to hand over the gas pipeline assets to other parties at the end of the term of the Concessions and we can continue to use the gas pipeline assets by renewing the Concessions until the value of the gas pipeline assets are exhausted. Further, most of the economic interest to be generated from the gas pipeline assets are expected to flow into our Group during the Concession period. As such, our Directors are of the view, and the Reporting Accountants concur, that we control the residual interest of the gas pipeline assets and the Concessions do not fall within the scope of IFRIC 12.

Our Operating Area, where we enjoy the exclusive right to sell and distribute PNG, is located within Jiaxing Urban Area and Jiaxing Port Area. According to the F&S Report, the population density of Jiaxing Urban Area and Jiaxing Port Area, at 1,306 and 1,842 per km^2 respectively, are higher than that of Jiaxing, at 1,106 per km^2. Pursuant to the terms of the Concessions, we also have the exclusive right to construct urban pipeline network and gas facilities in our Own Pipeline Area, which forms part of our Operating Area. Jiaxing Pipeline Company, a direct wholly-owned subsidiary of City Development, our Substantial Shareholder, is responsible for investing in and constructing urban pipeline network and gas facilities in the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area according to our business development plans and strategies, and we manage and arrange for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company. Since Jiaxing Pipeline Company had invested and owned some pipeline network and gas facilities within the Jiaxing Urban

Operating Area which does not form part of our Own Pipeline Area at the time we were granted the Jiaxing Urban Area Concession, pursuant to the relevant local government's requirement, Jiaxing Pipeline Company and we entered into a framework agreement, which was annexed to and formed part of the Jiaxing Urban Area Concession, stipulating that Jiaxing Pipeline Company shall lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Operating Area to us for our use and operation of our PNG business, which the relevant local government had knowledge of and approved. This enables us to operate in a larger area with lesser capital investment. On 30 September 2019 and 31 December 2019, we entered into the Pipeline Network Lease Agreements with Jiaxing Pipeline Company in relation to the leasing of pipeline networks in the Jiaxing Urban Operating Area up to 31 December 2032. Whenever there are new pipelines to be leased by us from Jiaxing Pipeline Company, we will enter into new pipeline network lease agreements with Jiaxing Pipeline Company.

The following diagram illustrates the major flow of distribution of PNG by our Group:



Please see the paragraph headed "Business – Principal PNG Operational Facilities – Pipeline networks" in this prospectus for details. Please also refer to the section headed "Relationship with Our Major Shareholders" in this prospectus for details of the Pipeline Network Lease Agreements.

The following table sets out the major information of our ongoing projects as at the Latest Practicable Date:

Project type	Number of project(s)	Size (in terms of aggregate capital expenditure/ contract sum)	Approximate outstanding capital expenditure/ contract sum	Expected project duration
Construction projects of end-user pipelines	159	RMB55.3 million	RMB53.0 million	Until 2021
Installation and management projects of end-user pipelines	228	RMB44.2 million	RMB38.3 million	Until 2021
Construction projects for urban pipelines	37	RMB30.7 million	RMB29.2 million	Until 2021
Establishment of Yashan Road service station	1	RMB5.8 million	RMB1.5 million	Until 2020
Other construction projects (including pipelines and facilities for steam transmission)	3	RMB21.3 million	RMB4.3 million	Until 2020

According to the Catalogue of Industry Guidance for Foreign Investment (revised in 2015) (《外商投資產業指導目錄(2015年修訂)》), the Catalogue of Industry Guidance for Foreign Investment (revised in 2017) (《外商投資產業指導目錄(2017年修訂)》), and the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2018) (《外商投資准入特別管理措施(負面清單)(2018年版)》) jointly promulgated by the NDRC and the MOFCOM on 10 March 2015, 18 June 2017 and 28 June 2018 respectively, enterprises engaged in the construction and operation of urban gas, heat and water supply and drainage pipelines and networks for cities with an urban population of 500,000 or more shall be controlled by Chinese shareholders (the "**Restrictions on Chinese Holding**"). Further, according to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單)(2019年版)》) jointly promulgated by the NDRC and the MOFCOM on 30 June 2019 and implemented on 30 July 2019, the construction and operation of the urban gas supply and the gas pipeline network is not within the scope of the industries for which the special administrative measures for the access of foreign Investment are implemented. As such, our PRC Legal Advisers are of the view that from 1 January 2017 and up to 29 July 2019, our business was subject to the Restrictions on Chinese Holding and in compliance with the foreign investment policy, and since 30 July 2019 and up to the Latest Practicable Date, our business is not subject to any foreign investment restrictions.

INVESTMENTS IN OPERATORS OF NATURAL GAS AND RELATED BUSINESS, INCLUDING DUSHAN PORT PROJECT

To capture more growth opportunities in the natural gas market, we have invested in several operators of natural gas and related business at their start-up stage, which are considered either as joint ventures or associates of our Company, details of which are set out in Notes 17 and 18 to the Accountants' Report in Appendix I to this prospectus.

We made our latest significant investment in Hangjiaxin, a joint venture set up in 2017 for the Dushan Port Project, being the construction and operation of a LNG storage and transportation station in Dushan Port, which is a coastal area, for the import and storage of LNG for diversification of our source of LNG and to meet the demand for natural gas in Jiaxing and neighbouring cities such as Shanghai, Hangzhou and Suzhou in the Yangtze River Delta. The expected total capital expenditure for the Dushan Port Project is approximately RMB1,885.2 million, of which RMB583.1 million had been incurred as at 31 December 2019. The remaining capital expenditure will be financed by capital contribution by its shareholders and project financing including loans by its shareholders and bank loan of Hangjiaxin. As at the Latest Practicable Date, the Group had paid approximately RMB152.45 million as capital contribution to Hangjiaxin. Upon completion, Dushan Port Project is expected to have a storage capacity of LNG of 200,000 m^3 (equivalent to approximately 120 million m^3 of natural gas in gaseous state) and an annual transaction volume of 0.4 million tonnes of LNG and 838.6 million m^3 of natural gas in gaseous state (equivalent to approximately 0.6 million tonnes of LNG), which altogether is equivalent to 1.0 million tonnes of LNG in total. We started and invested in the Dushan Port Project owing to (i) the implementation of directions in the government's opinion in relation to, among others, the construction of coastal LNG terminals and storage tanks for the receipt and storage of LNG; (ii) favourable government policies promoting the use of natural gas; (iii) the anticipated increase in demand for import of natural gas; (iv) our plan to diversify our source of supply of natural gas with the flexibility to purchase LNG from overseas when the pricing of which is more competitive; and (v) the less restrictive regulatory regime for LNG, particularly no concession is required for the operating area and that the price at which we purchase and sell LNG can be determined by the market. As at the Latest Practicable Date, we invested in and held 51% equity interest in Hangjiaxin. As such, Hangjiaxin is considered as a subsidiary of our Company under the Listing Rules. However, all matters which are to be resolved at the general meetings of Hangjiaxin are required by its articles of association to be approved by not less than two-thirds of the voting rights held by the equity holders, and all matters which are to be resolved at the board meetings of Hangjiaxin are required by its articles of association to be approved by not less than two-thirds of the directors. As a result of the foregoing contractual arrangement, Hangjiaxin is regarded as a joint venture to our Group pursuant to the relevant accounting standards and accounted for under equity accounting method.

With our Concessions in Jiaxing and our investment in the Dushan Port Project for the sales of natural gas (including LNG) as well as other joint ventures and associates engaged in the natural gas industry, we believe that we will continue to benefit from the favourable government policies and industry trends.

PRICING

Pricing of our PNG purchases and sales are subject to regulatory control. The Jiaxing Municipal People's Government determines the benchmark gateway station price on which our purchase price for PNG is based and the end-user prices on which our selling price of PNG is based. For residential usage, the end-user price is a fixed price, whereas for industrial and commercial usage, the end-user price could be agreed upon between us and the users up to the highest selling price.

The purchase and selling prices of LNG and LPG are both based on market pricing.

For our provision of construction and installation services, we charge a fixed price set by the relevant pricing authority for residential users, while we agree the price with non-residential users on a project by project basis.

See the paragraph headed "Regulatory Overview – Pricing of Natural Gas" and "Regulatory Overview – Pricing of Construction and Installation Services" in this prospectus for information on the regulatory regime for pricing of PNG and provision of construction and installation services.

OUR SUPPLIERS

During the Track Record Period, our major suppliers included Jiaxing Pipeline Company, our sole direct supplier of PNG for our PNG supply business, and suppliers of materials and service providers for our construction and installation business. We have a well-established relationship with Jiaxing Pipeline Company since 2009. Jiaxing Pipeline Company has been our sole direct supplier of PNG which, to the best knowledge of our Directors, is the only upstream supplier of PNG in Jiaxing and our pipeline network is connected to the pipeline network of Jiaxing Pipeline Company. As at the Latest Practicable Date, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, our Substantial Shareholder. In June 2016, we entered into the Master Supply Agreements with Jiaxing Pipeline Company for the supply of PNG in our Operating Area for a term up to 31 December 2025. Further, Jiaxing Pipeline Company is responsible of constructing urban pipeline network and gas facilities in the Jiaxing

Urban Operating Area which does not form part of our Own Pipeline Area (where we do not have the exclusive concession right to construct urban pipeline network and gas facilities) according to our development plans and strategies, and we manage and arrange for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company. Since Jiaxing Pipeline Company had invested and owned some pipeline network and gas facilities within the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area at the time we were granted the Jiaxing Urban Area Concession, pursuant to the relevant local government's requirement, Jiaxing Pipeline Company and we entered into a framework agreement, which was annexed to and formed part of the Jiaxing Urban Area Concession, stipulating that Jiaxing Pipeline Company shall lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Operating Area to us for our use and operation of our PNG business, which the relevant local government had knowledge of and approved. On 30 September 2019 and 31 December 2019, we entered into the Pipeline Network Lease Agreements with Jiaxing Pipeline Company in relation to the leasing of pipeline networks in the Jiaxing Urban Operating Area up to 31 December 2032. In view of the above agreements with Jiaxing Pipeline Company, we expect to maintain a long-term and stable business relationship with Jiaxing Pipeline Company. Please refer to "Relationship with our Major Shareholders – Independence from our Major Shareholders – Operational independence" in this prospectus for further details.

For FY2017, FY2018 and FY2019, purchases from our five largest suppliers in aggregate were RMB604.7 million, RMB920.1 million and RMB980.0 million, respectively, which accounted for 77.7%, 91.2% and 92.4% of our total cost of purchase for the respective periods. For FY2017, FY2018 and FY2019, purchases from our largest supplier amounted to RMB543.6 million, RMB832.1 million and RMB887.0 million, respectively, which accounted for 69.8%, 82.6% and 83.7% of our total cost of purchase for the corresponding periods. Save as disclosed in the paragraph headed "Business – Our Source of PNG Supply" and the section headed "Continuing Connected Transactions" in this prospectus, our Directors confirmed that none of our Directors or Shareholders (who to the knowledge of our Directors owned more than 5.0% of the share capital of our Company as at the Latest Practicable Date) and their respective associates had any interest in any of our five largest suppliers during the Track Record Period. Please refer to the paragraphs headed "Business – Our Suppliers, Raw Materials and Inventories", "Business – Our Source of PNG Supply" for further details.

OUR CUSTOMERS

Most of our five largest customers during the Track Record Period are our PNG customers. For FY2017, FY2018 and FY2019, sales to our five largest customers in aggregate were RMB219.8 million, RMB384.1 million and RMB327.9 million, respectively, which accounted for 24.8%, 30.5% and 24.7%, respectively, of our total revenue for the corresponding periods. For the same periods, sales to our largest customer for the respective year amounted to RMB107.0 million, RMB151.2 million and RMB133.4 million, and accounted for 12.1%, 12.0% and 10.0%, respectively, of our total revenue. Our Directors confirmed that none of our Directors, their associates or Shareholders (who to the knowledge of our Directors owned more than 5.0% of the share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period. Please refer to the paragraph headed "Business – Our Customers" in this prospectus for details.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

The tables below set forth, for the years indicated, selected financial data derived from the section headed "Historical Financial Information" of the Accountants' Report in Appendix I to this prospectus, and these should be read in conjunction with the financial statements in the Accountants' Report in Appendix I to this prospectus, including the related notes.

Summary Consolidated Statements of Profit or Loss

	FY2017		FY2018		FY2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	883,604	100.0	1,258,782	100.0	1,330,332	100.0
Gross profit	151,621	17.2	170,257	13.5	197,065	14.8
Profit before tax	83,697	9.5	95,632	7.6	117,342	8.8
Income tax expense	(19,354)	(2.2)	(22,305)	(1.8)	(27,976)	(2.1)
Profit for the year	64,343	7.3	73,327	5.8	89,366	6.7

Revenue

The table below sets forth the breakdown of our revenue by business segment during the Track Record Period:

	FY2017		FY2018		FY2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales of gas						
– *PNG*	686,816	77.2	985,588	77.9	1,081,889	81.0
– *LNG*	5,791	0.6	13,601	1.1	11,862	0.9
– *LPG*	48,049	5.4	87,807	6.9	75,554	5.6
Sub-total	740,656	83.2	1,086,996	85.9	1,169,305	87.5
Provision of construction and installation services	106,387	12.0	129,316	10.2	116,146	8.7
Others *(Note 1)*	42,989	4.8	49,160	3.9	50,313	3.8
Total (before government surcharges)	890,032	100.0	1,265,472	100.0	1,335,764	100.0
Less: government surcharges *(Note 2)*	(6,428)		(6,690)		(5,432)	
Total	883,604		1,258,782		1,330,332	

Notes:

(1) "Others" include provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

(2) "Government surcharges" comprise of business taxes and other surcharges accrued during the Track Record Period.

Our revenue increased by RMB375.2 million or 42.5% from RMB883.6 million in FY2017 to RMB1,258.8 million in FY2018 mainly as a result of (i) the increase in revenue from sales of gas by RMB346.3 million, mainly resulting from (a) the increase in sales of PNG to our industrial users by RMB266.3 million as a result of the increase in number of users, in particular certain major customers with large volume of consumption, reflected by the increase in sales volume from 197.5 million m^3 sold in FY2017 to 301.0 million m^3 sold to industrial customers in FY2018; and (b) the increase in sales of PNG to residential users by RMB18.8 million, mainly resulted from the continued economic development in Jiaxing, reflected by the increase in users; and (ii) the increase in revenue from provision of construction and installation services by RMB22.9 million, primarily due to the increase in value of works completed in FY2018 as our number of projects completed increased from 424 projects in FY2017 to 538 projects in FY2018, including certain larger scale projects such as commercial complexes and malls in FY2018.

Our revenue increased by RMB71.5 million or 5.7% from RMB1,258.8 million in FY2018 to RMB1,330.3 million in FY2019 mainly due to the increase in revenue from sales of gas by RMB82.3 million, primarily attributable to the increase in sales of PNG to our industrial users by RMB68.4 million as a result of the increase in per unit average selling price to our industrial users following the general increase in per unit purchase price of PNG pursuant to the pricing policy in Jiaxing released in November 2018, partially offset by the decrease in total sales volume as certain of our industrial customers chose to consume alternative resources instead of PNG. The increase in revenue was partially offset by the decrease in revenue from the provision of construction and installation services of RMB13.2 million resulting from a decrease in the number of projects completed in FY2019 compared to that in FY2018.

Gross Profit

The following table sets forth a breakdown of gross profit and gross profit margin by sources of our revenue and by type of users for sales of PNG during the Track Record Period:

	FY2017		FY2018		FY2019	
	Gross profit RMB'000	*Gross profit margin %*	*Gross profit RMB'000*	*Gross profit margin %*	*Gross profit RMB'000*	*Gross profit margin %*
By sources of our revenue						
Sales of gas						
– PNG	75,697	11.0	81,812	8.3	102,834	9.5
– LNG	801	13.8	2,959	21.8	4,134	34.9
– LPG	6,936	14.4	12,063	13.7	13,967	18.5
Sub-total	83,434	11.3	96,834	8.9	120,935	10.3
Provision of construction and installation services	63,020	59.2	66,275	51.3	66,269	57.1
Others	11,595	27.0	13,838	28.1	15,293	30.4
Total (before government surcharges)	158,049	17.8	176,947	14.0	202,497	15.2
Less: government surcharges	(6,428)		(6,690)		(5,432)	
Total/overall	151,621	17.2	170,257	13.5	197,065	14.8

	FY2017				FY2018				FY2019			
	Gross profit *RMB'000*	**Gross profit margin** *%*	**Per unit purchase price** *RMB/m³*	**Per unit selling price** *RMB/m³*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	**Per unit purchase price** *RMB/m³*	**Per unit selling price** *RMB/m³*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	**Per unit purchase price** *RMB/m³*	**Per unit selling price** *RMB/m³*
Sales of PNG by type of users												
Residential users	16,497	16.9	2.33	2.80	14,717	12.6	2.44	2.79	4,428	3.4	2.71	2.81
Industrial users	41,789	8.3	2.33	2.54	48,938	6.4	2.39	2.55	78,900	9.4	2.67	2.95
Commercial users	17,411	20.0	2.32	2.90	18,157	18.0	2.45	2.98	19,506	17.2	2.71	3.28
	75,697	11.0			81,812	8.3			102,834	9.5		

The decrease in our gross profit margin in FY2018 was mainly attributable to our (i) decrease in gross profit margin from sales of PNG which was mainly due to (a) the increase in unit purchase price of PNG whilst our average selling price remained relatively stable; and (b) the increase of revenue contribution from sales of PNG to industrial users which has lower gross profit margin compared to residential users; and (ii) the increase in construction services for infrastructure which attained a relatively lower gross profit margin.

Our gross profit rose by RMB26.8 million or 15.7% from RMB170.3 million in FY2018 to RMB197.1 million in FY2019. Our gross profit margin increased from 13.5% in FY2018 to 14.6% in FY2019, which was mainly due to (i) the increase in gross profit margin for sales of PNG resulting from the increase in unit selling price to our industrial users; and (ii) the increase in gross profit margin for provision of construction and installation services, as we had completed the large-scale projects, such as construction of infrastructure, which attained lower gross profit margin, in FY2018.

Our gross profit margin attained for the sales of PNG to residential users was relatively lower at 3.4% in FY2019, primarily due to the increase in per unit cost of PNG purchased from RMB2.44 per m^3 in FY2018 to RMB2.71 per m^3 in FY2019 whilst the average selling prices of PNG sold to residential users was relatively stable at RMB2.79 per m^3 and RMB2.81 per m^3 in FY2018 and FY2019.

We recorded an increase in gross profit margin from sales of LNG from 13.8% in FY2017 to 21.8% in FY2018, and further to 34.9% in FY2019, primarily due to the decrease in our selling price to a smaller extent following the decrease in purchase costs globally.

Our gross profit margin attained from the sales of LPG remained relatively stable at 14.4% and 13.7% for FY2017 and FY2018, respectively. The gross profit margin attained for the sales of LPG increased to 18.5% in FY2019, primarily due to the decrease in cost of purchase from RMB3,940 per ton in FY2018 to RMB3,510 per ton in FY2019 while our average selling price decreased to a smaller extent from RMB4,520 per ton in FY2018 to RMB4,359 per ton in FY2019.

Profit for the year

Our profit for the year increased from RMB64.3 million in FY2017 to RMB73.3 million in FY2018. Our net profit margin decreased from 7.3% for FY2017 to 5.8% for FY2018, mainly due to (i) the decrease in gross profit margin from sales of PNG resulting from the increase in per unit purchase price while our overall average selling price remained stable at RMB2.62/m^3 in both FY2017 and FY2018 which is caused by the general time gap between the adjustment of purchase and selling tariff by the local government authority and more purchase discounts offered to our certain industrial customers with large consumption; and (ii) the slight decrease in gross profit margin for construction contracts for certain construction of infrastructure which attained a relatively lower profit margin in order to maintain a good relationship with our customers and attract similar projects in the future, which are of larger contract sums.

Our profit for the year increased by RMB16.1 million or 22.0% from RMB73.3 million in FY2018 to RMB89.4 million in FY2019. Our net profit margin increased from 5.8% in FY2018 to 6.7% in FY2019, mainly due to (i) the increase in gross profit margin from sales of PNG, resulting from the increase in unit selling price to our industrial users; and (ii) the increase in gross profit margin from provision of construction and installation services as we have completed the large-scale projects, such as construction of infrastructure, which attained lower gross profit margin as compared to other projects in FY2018.

Summary of Certain Items of the Consolidated Statements of Financial Position

	As at 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Non-current assets	1,175,452	1,218,516	1,186,847
Current assets	134,675	162,258	167,922
Non-current liabilities	580,472	547,523	554,265
Current liabilities	464,257	495,229	443,675
Net current liabilities	(329,582)	(332,971)	(275,753)
Net assets	265,398	338,022	356,829

We recorded net current liabilities of RMB329.6 million, RMB333.0 million and RMB275.8 million as at 31 December 2017, 2018 and 2019, respectively. We recorded net current liabilities during the Track Record Period mainly because we have mainly used short-term bank loans and other borrowings to finance our general working capital needs and capital expenditure.

In order to improve our net current liabilities position, our Directors confirm that (i) we will continue to closely monitor our net current liabilities position and optimise the composition of our indebtedness in order to achieve net current assets position; (ii) we have obtained additional banking facilities, leading to a total of RMB766.5 million unutilised banking facilities as at 30 April 2020; and (iii) when any of the above-mentioned short-term loans become due, we will either use our internally generated cash to repay them and/or refinance such short-term bank loans with long-term bank loans.

Our Directors are of the opinion, and the Joint Sponsors concur, that taking into consideration the availability of unutilised banking facilities of our Group, positive operating cash flow and net proceeds from the Global Offering, we will have sufficient financial resources to meet our capital expenditure requirements and liabilities as and when they fall due for the foreseeable future.

Summary Consolidated Cash Flow Statement

	FY2017	FY2018	FY2019
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities before changes in working capital	148,158	164,061	192,075
Changes in working capital	129,929	3,165	(44,579)
Interest received	874	486	620
Tax paid	(25,067)	(26,374)	(23,105)
Net cash flows from operating activities	253,894	141,338	125,011
Net cash flows generated from (used in) investing activities	21,075	(96,504)	(16,879)
Net cash flows used in financing activities	(271,944)	(9,889)	(131,228)
Net increase/(decrease) in cash and cash equivalents	3,025	34,945	(23,096)
Cash and cash equivalents at end of year	51,297	86,242	63,146

Operating activities

For FY2017, we had net cash generated from operating activities of RMB253.9 million, mainly as a result of the cash generated from operations before working capital change of RMB148.2 million, tax paid of RMB25.1 million and cash inflows from changes in working capital of RMB129.9 million. The change in working capital primarily reflected (i) decrease in prepayments, other receivables and other assets of RMB125.4 million resulting from the settlements of amounts due from a related party and disposed subsidiaries; and (ii) increase in contract liabilities of RMB0.2 million as a result of increase in advances from our customers.

For FY2018, we had net cash generated from operating activities of RMB141.3 million, mainly as a result of the cash generated from operations before working capital change of RMB164.1 million, tax paid of RMB26.4 million and cash inflows from changes in working capital of RMB3.2 million. The change in working capital primarily reflected increase in contract liabilities of RMB11.0 million as a result of increase in advances from our customers and the decrease in prepayments, other receivables and other assets of RMB11.7 million resulting from the decrease in the prepayments primarily attributable to transfer of prepaid fund of equity investment to financial assets at fair value through profit or loss.

For FY2019, we had net cash generated from operating activities of RMB125.0 million, mainly as a result of the cash generated from operations before change in working capital of RMB192.1 million, tax paid of RMB23.1 million and cash outflows from changes in working capital of RMB44.6 million. The change in working capital primarily reflected decrease in trade and bills payables of RMB13.8 million resulting from more settlement made to our suppliers near 31 December 2019 and increase in prepayments, other receivables and other assets of RMB16.1 million primarily due to prepaid listing expense of RMB15.6 million.

Investing activities

For FY2017, we had net cash generated from investing activities of RMB21.1 million primarily attributable to (i) repayment received from related parties of RMB146.3 million; and (ii) the proceeds from disposal of shareholdings in subsidiaries of RMB37.5 million. The cash inflows were partially offset by (i) investment in a joint venture of RMB86.7 million; and (ii) purchase of items of property, plant and equipment of RMB56.8 million.

For FY2018, we had net cash used in investing activities of RMB96.5 million primarily attributable to (i) investment in a joint venture of RMB63.4 million; (ii) purchase of items of property, plant and equipment of RMB38.0 million; and (iii) net purchase of financial assets at fair value through profit or loss of RMB0.1 million.

For FY2019, we had net cash used in investing activities of RMB16.9 million primarily attributable to purchases of items of property, plant and equipment of RMB34.9 million partially offset by dividends received from an associate of RMB19.3 million.

Financing activities

For FY2017, we had net cash used in financing activities of RMB271.9 million primarily attributable to net repayment of interest-bearing bank borrowings of RMB252.2 million, payment of lease liabilities of RMB4.7 million and interest paid of RMB14.5 million.

For FY2018, we had net cash used in financing activities of RMB9.9 million primarily attributable to and payment of lease liabilities of RMB24.3 million partially offset by the total dividends paid of RMB10.7 million and interest paid of RMB9.4 million, partially offset by the net proceeds from interest-bearing bank borrowings of RMB34.5 million.

For FY2019, we had net cash used in financing activities of RMB131.2 million, primarily attributable to (i) dividends paid of RMB70.0 million; (ii) payment of lease liabilities of RMB30.9 million; and (iii) net interest-bearing bank borrowings of RMB19.6 million raised.

Please refer to the section headed “Financial Information” in this prospectus for more details.

Financial Ratios

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

	For the year ended/ as at 31 December		
	2017	2018	2019
Gross profit margin (%)(1)	17.2	13.5	14.8
Net profit margin (%)(2)	7.3	5.8	6.7
Return on equity (%)(3)	27.4	24.3	26.1
Return on total assets (%)(4)	4.6	5.4	6.5
Current ratio (times)(5)	0.3	0.3	0.4
Gearing ratio (%)(6)	67.3	63.0	54.2
Net debt to equity ratio (%)(7)	45.2	35.9	34.5

Notes:

(1) Gross profit margin for FY2017, FY2018 and FY2019 was calculated on gross profit divided by turnover for the respective year. See the paragraph headed "Financial Information – Review of Historical Results of Operation" in this prospectus for more details on our gross profit margins.

(2) Net profit margin for FY2017, FY2018 and FY2019 was calculated on profit for the year divided by turnover for the respective year. See the paragraph headed "Financial Information – Review of Historical Results of Operation" in this prospectus for more details on our net profit margins.

(3) Return on equity for FY2017, FY2018 and FY2019 was calculated based on the profit for the year for the respective periods divided by the total equity attributable to the Shareholders as at the respective years and multiplied by 100%.

(4) Return on total assets for FY2017, FY2018 and FY2019 was calculated based on the net profit for the respective years divided by the total assets of the respective years and multiplied by 100%.

(5) Current ratios as at 31 December 2017, 2018 and 2019 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(6) Gearing ratios as at 31 December 2017, 2018 and 2019 were calculated based on the total interest-bearing borrowings as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.

(7) Net debt to equity ratios as at 31 December 2017, 2018 and 2019 was calculated based on net debts (being total interest-bearing borrowings net of cash and bank balance) as at the respective dates divided by total equity as at the respective dates.

Selected Operating Data

	FY2017		FY2018		FY2019	
		As a percentage to total %		As a percentage to total %		As a percentage to total %
PNG						
Residential users						
Revenue (RMB'000)	97,739	14.2	116,568	11.8	131,951	12.2
Sales volume ('000m^3)	34,932	13.3	41,733	11.1	46,997	12.9
Average selling price (RMB/m^3)	2.80		2.79		2.81	
Industrial users						
Revenue (RMB'000)	501,920	73.1	768,206	78.0	836,623	77.3
Sales volume ('000m^3)	197,474	75.3	301,047	79.9	283,852	77.7
Average selling price (RMB/m^3)	2.54		2.55		2.95	

	FY2017		FY2018		FY2019	
		As a percentage to total		As a percentage to total		As a percentage to total
		%		%		%
Commercial users						
Revenue (RMB'000)	87,157	12.7	100,814	10.2	113,315	10.5
Sales volume ('000m^3)	30,042	11.4	33,802	9.0	34,578	9.4
Average selling price (RMB/m^3)	2.90		2.98		3.28	
Total sales of PNG						
Revenue (RMB'000)	686,816	100.0	985,588	100.0	1,081,889	100.0
Sales volume ('000m^3)	262,448	100.0	376,582	100.0	365,427	100.0
Average selling price (RMB/m^3)	2.62		2.62		2.96	

Our overall per unit selling price increased from RMB2.62/m^3 in FY2018 to RMB2.96/m^3 in FY2019 primarily due to the increase in per unit selling price of our industrial customers. The increase was mainly due to the general increase in per unit purchase price of PNG from RMB2.244/m^3 to RMB2.904/m^3 and increase in highest selling price to non-residential users from RMB3.21/m^3 to RMB3.89/m^3 pursuant to the Notice on the Adjustment of Non-residential Usage Natural Gas Prices (《關於調整非居民用天然氣價格有關事項的通知》嘉發改物[2018]344號) issued by the Jiaxing Development and Reform Commission in December 2018.

OUR MAJOR SHAREHOLDERS

Immediately following completion of the Global Offering (and assuming that the Over-allotment Option is not exercised at all), the Concert Parties, namely Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華), will in aggregate own approximately 23.79% and City Development will own approximately 24.57% of the issued share capital of our Company. Accordingly, there will be no Controlling Shareholders upon Listing. Details of the concert party agreement entered into by the Concert Parties are set out under the paragraph headed "History and Corporate Structure – Relationships Among Shareholders – Concert party agreement" in this prospectus.

RECENT DEVELOPMENT

Based on our unaudited management accounts for the four months ended 30 April 2020, our revenue decreased and the gross profit margin remained stable as compared with the corresponding period in FY2019, mainly due to the temporary suspension of construction and installation projects and the decrease in gas sale to certain commercial customers as a result of the suspension of their business operation because of the outbreak of COVID-19.

Beginning in late 2019, the PRC and various countries around the world encountered an outbreak of COVID-19, a highly contagious disease. In response to the severity of the COVID-19 outbreak, the Chinese officials have extended the Lunar New Year holiday by three days in the PRC to 2 February 2020. According to the Notice of General Office of the People's Government of Zhejiang Province on the Delay of Resumption of Work by Enterprises and Start of School* (《浙江省人民政府辦公廳關於延遲企業復工和學校開學通知》) issued by the People's Government of Zhejiang Province, the resumption of work by enterprises after the Lunar New Year holiday was delayed to not be earlier than 9 February 2020 in order to effectively strengthen the prevention and control of the spread of COVID-19 in Zhejiang Province. The World Health Organisation declared the outbreak of COVID-19 as a public health emergency of international concern in January 2020 and characterised COVID-19 as pandemic in March 2020.

Accordingly, we suspended part of our business operations from 31 January 2020 to 9 February 2020. During the same period, our gas supply and provision of customer services (with adjusted service hours) and emergency service were not suspended and remained normal. To maintain our continuous business operations and the health of our employees, we have adopted several enhanced hygiene and precautionary measures from February 2020. By March 2020, all our business operations had resumed to normal level. On the other hand, according to the Notice on Temporarily Reducing the Price of Gas, Water and Electricity for Enterprises During the Epidemic Prevention of COVID-19 (《關於新冠肺炎防疫期間臨時降低企業用氣用水用電價格的通知》浙發改價格[2020]22號) and Notice on the Adjustment of the Natural Gas Prices of Gateway Stations (《浙江省發展改革委關於調整天然氣門站價格的通知》(浙發改價格[2020]91號) issued by Zhejiang Development and Reform Commission and Notice on Floating Down the Natural Gas Prices of City Gateway Stations in June 2020 (《關於下浮2020年6月天然氣城市門站價格的通知》) issued by Jiaxing Pipeline Company, the sales price ceiling of non-residential usage and coal-to-gas as well as the prices of gateway stations were temporarily adjusted from 1 February 2020 to 21 February 2020, from 22 February 2020 to 31 May 2020 and from 1 June 2020 to 1 July 2020, respectively. As a result, the above temporary adjustments of prices led to a decrease in revenue generated from our sales of gas by approximately 0.3% during February to April 2020 as compared to that in a case without such price adjustments. As confirmed by our Directors, as the sales price of our major non-residential users are below the adjusted sales price ceiling, it is estimated that the temporary adjustment of prices will not have a material impact on our revenue generated from sales of gas for FY2020. On the basis that (i) none of our employees were quarantined or are being quarantined as at the Latest Practicable Date due to the COVID-19 pandemic; (ii) our business operations had resumed to normal level by March 2020; (iii) we have not encountered and are not expected to encounter any material disruption to our supply chain; and (iv) most of our industrial and commercial users have resumed business operations by early March 2020, our Directors confirm that we are able to maintain our sales of gas at a stable level and discharge the obligations under all construction and installation service agreements, and therefore there is no material adverse effect on our continuing business operations, long-term relationship with our customers or sustainability. After taking into account (i) our existing cash and cash equivalents; (ii) our unutilised banking facilities; and (iii) the net IPO proceeds designated for working capital and general corporate purposes (based on the minimum indicative Offer Price at HK$9.00 per H Share), we will be able to satisfy our operating cost and remain financially viable for at least the next 12 months in case our business operations are being suspended. The key assumptions include (i) we will not generate any income due to the suspension of business; (ii) we will not have to pay subcontracting fee to our subcontractors according to the subcontracting agreements due to suspension of works; and (iii) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (such as basic office maintenance and staff cost and utilities expenses).

In view of the impact of the outbreak of COVID-19 in the PRC on our business operations, our Directors expect that revenue generated from both sales of gas and provision of construction and installation services will decrease in FY2020 as compared with FY2019, as (i) our revenue generated during the COVID-19 outbreak slightly decreased due to the suspension of business operations for certain enterprises in February 2020; and (ii) the level of industrial and commercial activities is expected to decrease after the COVID-19 pandemic, which, as advised by Frost & Sullivan, was mainly due to the suspension of business operations by certain enterprises in February 2020 and inconvenience to the resumption of normal business operations for enterprises since March 2020 caused by containment measures of COVID-19. However, our Directors believe that such decrease in revenue will not be substantial as (i) considering the basic necessity of natural gas, demand for our sales of gas will not drop significantly; and (ii) majority of our staff, customers and suppliers has resumed normal work by early March 2020 and our business operations has remained at a normal level since then.

For further details in relation to the outbreak of COVID-19, please refer to the paragraphs headed "Risk Factors – Risks Relating to Our Sales of Gas, Construction and Installation and Other Businesses – The outbreak of any severe communicable disease, such as COVID-19, if uncontrolled, could adversely affect our results of operations", "Regulatory Overview – Pricing of Natural Gas – The price of Natural Gas in Jiaxing", "Business – Employees – Occupational Health and Safety" and "Business – Impact of Outbreak of COVID-19 on Our Business" in this prospectus.

Our Directors confirm that as far as we are aware, there has been no material adverse change in our business operations, financial conditions or trading position since 31 December 2019, being the date to which our latest audited consolidated financial information was prepared, and up to the date of this prospectus, which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

RISK FACTORS

Our business is subject to a number of risks and you should read the entire "Risk Factors" section in this prospectus carefully before you decide to invest in the Offer Shares. Some of the major risks we face include: (i) 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; (ii) Jiaxing Pipeline Company is our sole direct PNG supplier, which does not have its own source of PNG other than purchasing from its upstream supplier. Any instability in, shortages of or disruption to the supply of natural gas to us could significantly and adversely affect our business. We may also face shortage of natural gas in the PRC as a whole; (iii) we cannot assure you that our take-or-pay obligation under the Master Supply Agreements with Jiaxing Pipeline Company will not be enforced; (iv) we are affected by risks arising from the PRC government's price control regime for PNG. For example, given that there is generally a time gap between the increase in our purchase price before the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period; (v) we do not have full control over Hangjiaxin, our joint venture established for the Dushan Port Project, and any disagreement with our partner may adversely affect the development of the project; (vi) the Dushan Port Project may incur cost or time overrun in its development; (vii) Hangjiaxin may not be able to secure sufficient LNG supply on acceptable terms or at all; and (viii) Hangjiaxin is not familiar with the market demand for LNG from Jiaxing and the neighbouring cities to which it intends to supply natural gas through the Dushan Port Project.

DIVIDEND

The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank facilities or other agreements that we or our subsidiaries may enter into in the future.

The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend.

We declared dividends of RMB10.0 million, nil and RMB70.0 million, respectively, in FY2017, FY2018 and FY2019. All such dividends have been fully paid. Currently we do not have a formal dividend policy and there is no assurance that dividends of any amount will be declared or be distributed in any year.

NON-COMPLIANCES

There were certain deficiencies in our legal compliance in the PRC during the Track Record Period, namely: (i) idle land; (ii) failure to make full contributions to the social insurance and housing provident funds for our employees according to the basis required by the relevant PRC laws and regulations, to undertake social insurance and housing provident fund registrations for some of our employees, and to make our contributions to the social insurance and housing provident funds for some of our employees; and (iii) commencement of construction works prior to obtaining the construction work planning permits, construction work commencement permits, location opinion and construction land planning permit, and failure to complete the construction completion inspections prior to the commencement of operation.

Views of our Directors and the Joint Sponsors

On the basis that:

(i) the reason for the non-compliance in relation to the idle land is attributable to the local government, which is beyond our control and is not related to the competency or integrity of our Directors;

(ii) we can still meet the profit requirement taking into account the immaterial rental income generated from the lease of part of the idle land and the potential penalties resulting from the non-compliance incidents, including the amount of idle land fee and the amount of underpaid social insurance and housing provident funds;

(iii) the confirmations from and the interview records with relevant competent government authorities which indicate that the relevant authorities will not/are unlikely to impose any penalty on our Company;

(iv) the PRC Legal Advisers have opined that the risk of our Group being penalised in respect of the non-compliance incidents is either low or remote; and

(v) we have implemented the rectification measures and enhanced internal control measures to ensure ongoing compliance,

our Directors are of the view, and the Joint Sponsors concur, that such non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

STATISTICS OF THE GLOBAL OFFERING

	Based on the minimum indicative Offer Price of HK$9.00 per Offer Share	**Based on the maximum indicative Offer Price of HK$12.00 per Offer Share**
Market capitalisation of our H Shares *(Note 1)*	HK$300.1 million	HK$400.1 million
Market capitalisation of our Shares *(Note 2)*	HK$1,200.1 million	HK$1,600.1 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share *(Note 3)*	HK$4.71	HK$5.44

Notes:

1. The calculation of market capitalisation of our H Shares is based on 33,340,000 H Shares in issue immediately after completion of the Global Offering but does not take into account any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

2. The calculation of market capitalisation of our Shares is based on 133,340,000 Shares in issue immediately after completion of the Global Offering but does not take into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised at all, based on the Offer Price of HK$10.5 per Offer Share, being the mid-point of the indicative Offer Price Range, the net proceeds from the Global Offering is estimated to be approximately HK$306.6 million (equivalent to approximately RMB280.4 million). Our Company currently intends to use the net proceeds from the Global Offering as follows:

Use of proceeds	Amount of net proceeds (HK$ million)	% of total net proceeds (%)
Expand our business by continuing our investment in the Dushan Port Project to capture opportunities of sales of natural gas to Jiaxing and the neighbouring cities in Yangtze River Delta	245.2	80
Enhance our sales of PNG in Jiaxing by upgrading our pipeline network and operational facilities	30.7	10
Working capital and general corporate purposes	30.7	10

For details, please refer to the paragraph headed "Future Plans and Use of Proceeds" in this prospectus.

LISTING EXPENSES

Total estimated expenses (based on the mid-point of our indicative price range for the Global Offering) in relation to the Global Offering are expected to amount to approximately RMB39.7 million, or approximately 14.2% of the net proceeds. During the Track Record Period, we incurred Listing expenses of approximately RMB15.8 million, of which (i) RMB0.2 million had been charged to our profit or loss in FY2019; and (ii) RMB15.6 million had been capitalised as our prepayment and to be deducted in equity in FY2020 upon Listing. We expect to incur additional listing expenses of approximately RMB23.9 million, of which (i) RMB0.3 million is expected to be charged to our profit or loss in FY2020; and (ii) RMB23.6 million is expected to be recognised directly as a deduction in equity in FY2020 upon Listing.

COMPETITIVE LANDSCAPE

While the natural gas industry in Zhejiang Province is fragmented, the natural gas industry in Jiaxing is relatively concentrated. According to the F&S Report, in terms of sales volume in 2019, the top five PNG distributors in Zhejiang Province took up a total share of 20.3%, with us ranking the fifth among approximately 220 natural gas operators in Zhejiang Province, and the top five PNG distributors in Jiaxing accounted for a total share of 60.7%, with us ranking the first, enjoying a market share of 22.7% among approximately 20 natural gas operators in Jiaxing. For further details on the competitive landscape of the natural gas industry in Zhejiang Province and Jiaxing, please refer to the paragraph headed "Industry Overview – Competitive Landscape Analysis" in this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountants' Report"	the accountants' report on our Group for the Track Record Period is set out in Appendix I to this prospectus
"Application Form(s)"	the **WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of our Company, as amended, which shall become effective upon Listing, and as amended from time to time, a summary of which is contained in Appendix VI to this prospectus
"Board" or "Board of Directors"	the board of directors of the Company
"BOCOM International (Asia)"	BOCOM International (Asia) Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
"BOCOM International Securities"	BOCOM International Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"City Development"	Jiaxing City Investment & Development Group Co., Ltd. (嘉興市城市投資發展集團有限公司), a state-owned enterprise established under the laws of PRC on 21 December 2009 and solely owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) and is indirectly wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會) as at the Latest Practicable Date, and a Substantial Shareholder upon Listing
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) (formerly known as Jiaxing Coalgas Company Limited* (嘉興市煤氣有限責任公司), Jiaxing Gas Company Limited* (嘉興市燃氣有限公司) and Jiaxing Gas Company Group Limited* (嘉興市燃氣集團有限公司), a joint stock limited liability company established under the laws of the PRC on 15 March 1998
"Concert Parties"	collectively, Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華), by virtue of the concert party agreements dated 23 March 2016, 16 March 2017, 3 January 2018 and 18 July 2019

"Concession Grantors"	Jiaxing Planning and Construction Bureau* (嘉興市規劃與建設局), subsequently renamed as Jiaxing Urban and Rural Construction Bureau* (嘉興市住房和城鄉建設局), the grantor of the Jiaxing Urban Area Concession, as authorised by the Jiaxing Municipal People's Government; and Jiaxing Port Area Planning Construction Bureau* (嘉興港區規劃建設局), the grantor of the Jiaxing Port Area Concession, as authorised by Jiaxing Port Area Development and Construction Management Committee* (嘉興港區開發建設管理委員會)
"Concessions" or "Concession Agreements"	the Jiaxing Urban Area Concession and the Jiaxing Port Area Concession
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	coronavirus disease 2019
"CSRC"	China Securities Regulatory Commission* (中華人民共和國證券監督管理委員會)
"Deed of Indemnity"	a deed of indemnity dated 29 June 2020 executed by the members of Concert Parties and Mr. Sun in favour of our Company (for itself and on behalf of our present subsidiaries), particulars of which are set out in the paragraph headed "Other Information – 13. Estate duty, tax and other indemnities" in Appendix VII to this prospectus
"Directors" or "our directors"	the directors of our Company
"Domestic Shares"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"Dushan Port Project"	the establishment of a storage and transportation station in Dushan Port for the import and storage of LNG by Hangjiaxin

"Ecological Farm"	Jiaxing Qingyuan Ecological Farm Company Limited* (嘉興市清園生態農莊有限公司), a limited liability company established under the laws of the PRC on 21 July 2008 and owned as to 90% by Qingyuan Tourism and hence a connected person of our Company
"EIT Law"	Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), as amended or supplemented from time to time
"Employee Shareholders"	Collectively, Mr. Shen Gensheng (沈根生), Mr. Wang Jingren (王經仁), Mr. Shen Guiqi (沈桂奇), Mr. Yin Peirong (殷培榮), Mr. Wang Haibin (王海斌), Ms. Dong Xiaohong (董小紅), Mr. Lv Liushun (呂六順), Mr. Gu Jianli (顧建麗), Mr. Xu Jianliang (徐建良), Ms. Zhang Xiafen (張霞芬), Ms. Zhou Jvxiang (周菊香), Ms. Guo Li (郭莉), Ms. Wang Wenqin (王文琴), Mr. Chen Lianguan (陳連觀), Mr. Jiang Longgen (姜龍根), Ms. Zhu Xiaofang (祝小芳), Mr. Tan Chengrui (譚成睿), Mr. Wang Yueming (王月明), Ms. Lv Jia (呂佳), Mr. Ma Ping (馬萍), Mr. Lu Jun (陸軍), Mr. Yang Kaiyuan (楊凱元), Ms. Zhang Xueying (張雪英), Mr. Yin Haiming (殷海明), Ms. Zhang Jvxian (張菊仙) and Ms. Chen Lingling (陳玲玲) who are individual owners of the issued shares of our Company as at the Latest Practicable Date and the details of Employee Shareholders are set out in the section headed "History and Corporate Structure – Corporate Structure"
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Fengye"	Fengye Holdings Group Company Limited* (楓葉控股集團有限公司), a limited liability company established under the laws of the PRC on 24 April 1996, which is wholly-owned by Zhejiang Fengye, which is in turn owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權). Save for its 5.36% equity interest in our Company as at the Latest Practicable Date, it is an Independent Third Party
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, and an Independent Third Party

"F&S Report"	the independent industry report prepared by Frost & Sullivan
"FY" or "financial year"	financial year of our Company ended or ending 31 December
"Gangqu Gas"	Jiaxing Gangqu Natural Gas Company Limited* (嘉興市港區天然氣有限公司), a limited liability company established under the laws of the PRC on 15 August 2003 and a direct non-wholly owned subsidiary of our Company
"Global Offering"	the Hong Kong Public Offer and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "we", "our" or "us"	our Company and its subsidiaries (as defined under the Listing Rules) at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangzhou Baocheng"	Guangzhou Baocheng Equity Investment Management Partnership* (廣州保誠股權投資管理合夥企業), a limited partnership established under the laws of the PRC on 31 October 2017, which is owned as to approximately 37.30% by Ms. Wan Qiaofu (王俏馥), 36.98% by Ms. Wang Qiaoyu (王俏瑜), 16.67% by Ms. Lu Hong (陸紅), 3.33% by Mr. Zhang Zhijun (張智君), 2.38% by Ms. Lu Huidan (陸惠丹), 1.67% by Mr. Ding Weimin (丁偉民) and 1.67% by Ms. Chu Jianghong (褚江紅). Save for its 4.20% equity interest in our Company as at the Latest Practicable Date, it is an Independent Third Party
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited

"Hangjia Liquefied Gas"	Zhejiang Hangjia Liquefied Gas Company Limited* (浙江杭嘉液化天然氣有限公司), a limited liability company established under the laws of the PRC on 27 December 2019 and owned as to 70% by Hangjiaxin and a subsidiary of our major joint venture
"Hangjiaxin"	Zhejiang Hangjiaxin Clean Energy Company Limited* (浙江杭嘉鑫清潔能源有限公司), a limited liability company established under the laws of the PRC on 24 July 2017 and owned as to 51% by our Company and regarded as a joint venture of our Company under the applicable accounting standards and a subsidiary of our Company pursuant to the Listing Rules
"Hangzhou Gas"	Hangzhou Gas Group Company Limited* (杭州市燃氣集團有限公司), a limited liability company established under the laws of the PRC on 11 September 2001 and the joint venture partner of Hangjiaxin. Hangzhou Gas is a wholly-owned subsidiary of China Hangzhou Urban Construction Assets Management Company Limited* (杭州市城市建設投資集團有限公司) which is owned as to 98.9% by the Hangzhou Municipal Government* (杭州市政府) and 1.1% China Development Bank* (國開發展基金有限公司)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be registered in the applicant's own name by submitting applications online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	The **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong Legal Advisers"	Chiu & Partners, the Hong Kong legal advisers of our Company in connection with the Global Offering
"Hong Kong Offer Shares"	3,334,000 new H Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offer
"Hong Kong Public Offer"	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters as set out in "Underwriting – Hong Kong Underwriters" in this prospectus, being the underwriters of the Hong Kong Public Offer
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 June 2020 relating to the Hong Kong Public Offer entered into by the Company, the Concert Parties, City Development, our executive Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"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 our Directors are aware after having made all reasonable enquiries, is not a connected person(s) (as defined in the Listing Rules) of the Company
"Installation Charges Opinions"	the "Guiding Opinions on Regulating the Installation Charges for Urban Gas Projects" (關於規範城鎮燃氣工程安裝收費的指導意見(發改價格[2019]1131號)) joint issued by the NDRC, the Ministry of Housing and Urban-Rural Development of the PRC and the State Administration for Market Regulation of the PRC on 27 June 2019. Please refer to the paragraph headed "Regulatory Overview – Pricing of Natural Gas – The price of natural gas in Jiaxing" in this prospectus for details

"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of the Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Placing Shares"	30,006,000 new H Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"International Underwriters"	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Placing to be entered into by the Company, the Concert Parties, City Development, our executive Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting" in this prospectus
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Jia'an"	Jiaxing Jia'an Gas Technology Service Company Limited* (嘉興市佳安燃氣技術服務有限公司), a limited liability company established under the laws of the PRC on 19 December 2006 and a direct wholly-owned subsidiary of our Company
"Jiaran Liquefied Gas"	Jiaxing Jiaran Liquefied Gas Company Limited* (嘉興市嘉燃液化氣有限公司), a limited liability company established under the laws of the PRC on 16 April 2012 and a direct wholly-owned subsidiary of our Company

"Jiaran New Energy"	Jiaxing Jiaran New Energy Company Limited* (嘉興市嘉燃新能源有限公司), a limited liability company established under the laws of the PRC on 3 August 2016 and a direct wholly owned subsidiary of our Company
"Jiaxing Commodity Price Bureau"	the Commodity Price Bureau of Jiaxing (嘉興物價局)
"Jiaxing Port Area"	the area located in Pinghu District, in the southern wing of Shanghai and the northern bank of Hangzhou Bay, with a total area of 54.4 sq.km., representing 1.3% of Jiaxing in terms of geographical coverage
"Jiaxing Port Area Concession"	the concession agreement between Jiaxing Port Area Planning Construction Bureau* (嘉興港區規劃建設局) and us, with effect from 1 May 2008, to act as the exclusive PNG distributor in Jiaxing Port Operating Area for a period of 25 years, subject to renewal approval upon expiration, together with two supplemental agreements dated 8 May 2019 and 23 May 2019, respectively
"Jiaxing Urban Area"	the area comprised of Xiuzhou District and Nanhu District, with a total area of 987 sq.km., representing 23.1% of Jiaxing in terms of geographical coverage
"Jiaxing Urban Area Concession"	the concession agreement between Jiaxing Planning and Construction Bureau* (嘉興市規劃與建設局), subsequently renamed as Jiaxing Urban and Rural Construction Bureau* (嘉興市住房和城鄉建設局), and us, with effect from 1 January 2008, to act as the exclusive PNG distributor in Jiaxing Urban Operating Area for a period of 25 years, subject to renewal approval upon expiration, together with the supplemental agreement dated 8 May 2019
"Jiaxing Pipeline Company"	Jiaxing Natural Gas Pipeline Network Management Co., Ltd.* (嘉興市天然氣管網經營有限公司), formerly known as Jiaxing Natural Gas Pipeline Network Construction Management Co., Ltd.* (嘉興市天然氣管網建設管理有限公司), a limited liability company established under the laws of the PRC on 2 June 2006, a direct wholly-owned subsidiary of City Development and our Substantial Shareholder

"Jie'an"	Jiaxing Jie'an Transportation Company Limited* (嘉興市捷安運輸有限公司), a limited liability company established under the laws of the PRC on 4 September 2006 and a direct non-wholly owned subsidiary of our Company
"Jiulong Mountain Tourist Resort"	part of the Jiaxing Port Area located in the northern bank of Hangzhou Bay
"Joint Bookrunners"	BOCOM International Securities, CCB International Capital Limited, CEB International Capital Corporation Limited, China Everbright Securities (HK) Limited, China Industrial Securities International Capital Limited, CMBC Securities Company Limited, Dongxing Securities (Hong Kong) Company Limited, Elstone Securities Limited, Essence International Securities (Hong Kong) Limited, Fosun Hani Securities Limited, Guosen Securities (HK) Capital Company Limited, Guotai Junan Securities (Hong Kong) Limited, Livermore Holdings Limited, Maxa Capital Limited and Yue Xiu Securities Company Limited
"Joint Global Coordinators"	BOCOM International Securities and CCB International Capital Limited
"Joint Lead Managers"	BOCOM International Securities, CCB International Capital Limited, CEB International Capital Corporation Limited, China Everbright Securities (HK) Limited, China Industrial Securities International Capital Limited, CMBC Securities Company Limited, Dongxing Securities (Hong Kong) Company Limited, Elstone Securities Limited, Essence International Securities (Hong Kong) Limited, Fosun Hani Securities Limited, Guosen Securities (HK) Capital Company Limited, Guotai Junan Securities (Hong Kong) Limited, Livermore Holdings Limited, Maxa Capital Limited and Yue Xiu Securities Company Limited
"Joint Sponsors"	BOCOM International (Asia) and LY Capital
"kg"	kilogramme(s)
"km"	kilometre(s)

"Latest Practicable Date"	20 June 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date expected to be on or around 16 July 2020, on which the H Shares are first listed and from which dealings in the H Shares are permitted to take place 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
"LY Capital"	LY Capital Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
"m^3"	cubic metre(s)
"Major Shareholders"	the Concert Parties and City Development
"Master Supply Agreements"	the two master supply agreements we entered into with Jiaxing Pipeline Company on 16 June 2016 for the supply of PNG in our Operating Area. Please refer to the paragraph headed "Business – Our Source of PNG Supply – Our relationship with Jiaxing Pipeline Company – Master Supply Agreements with Jiaxing Pipeline Company" in this prospectus for details
"MOFCOM"	Ministry of Commerce of the People's Republic of China (中華人民共和國商務部)
"MOLR"	Ministry of Land and Resources of the People's Republic of China (中華人民共和國自然資源部), or its predecessor, Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)

"Mr. Sun"	Mr. Sun Lianqing (孫連清), chairman of our Board, an executive Director and Substantial Shareholder of our Company upon Listing
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$12.00 and expected to be not less than HK$9.00, such price to be determined by agreement between the Company and BOCOM International Securities (for itself and on behalf of the other Underwriters) on or before the Price Determination Date
"Offer Price Range"	HK$9.00 per Offer Share to HK$12.00 per Offer Share
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares
"Operating Area"	the operating area where we are granted the exclusive right to: (a) under the Jiaxing Urban Area Concession, (i) the operation and management of medium and low pressure piped gas in Jiaxing Urban Area, namely the "**Jiaxing Urban Operating Area**", including sales of PNG and LPG to users by means of pipeline distribution; and (ii) the operation, maintenance, repair and emergency services of related pipeline facilities; and (b) under the Jiaxing Port Area Concession, (i) the operation and management of high, medium and low pressure piped gas in Jiaxing Port Area, namely the "**Jiaxing Port Operating Area**", including sales of PNG, LPG and other gaseous fuels to users by means of pipeline distribution; and (ii) the operation, maintenance, repair and emergency services of related pipeline facilities

"Over-allotment Option"	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by BOCOM International Securities (for itself and on behalf of the other International Underwriters), pursuant to which we may be required to allot and issue up to 5,001,000 additional H Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Placing, if any, as further described in "Structure and Conditions of the Global Offering" in this prospectus
"Own Pipeline Area"	the area where we are granted the exclusive right to construct urban pipeline network and gas facilities which ownership of the constructed assets belongs to us, which refers to: (a) under the Jiaxing Urban Area Concession, the area within the Jiaxing Urban Operating Area, comprising (i) the Central City and part of Nanhu New District that have been developed within the Third Ring Road, specifically, northwest to the New 320 National Road (excluded), and southeast to the Outer Ring Road East (excluded) – Shanghai-Hangzhou Railway – Central Ring Road East (included) – Pinghutang – Central Ring Road South-Shanghai – Hangzhou Railway – Outer Ring Road South (excluded); (ii) Xiuzhou New District Phase II, specifically, east to the New Beijiao River, south to Hangzhoutang, west to Zhapu – Jiaxing – Jiangsu Expressway and north to Xinchengtang; and (iii) Daqiao Town, specifically, east to the New 07 Provincial Road, south to the Central Ring Road South, west to the Xiayi Road and north to the Luli Street Extension; and (b) under the Jiaxing Port Area Concession, the area within the Jiaxing Port Operating Area (including Zhapu Town), comprising (i) east to the border of Zhapu Town and Huanggu Town, west to the junction of Zhapu Town and Haiyan Town, north to the Hangzhou – Pudong Expressway and south to the north bank of Hangzhou Bay; and (ii) the whole Jiulong Mountain Tourist Resort

"PBOC"	the People's Bank of China
"Pipeline Network Lease Agreements"	the pipeline network lease agreements we entered into with Jiaxing Pipeline Company on 30 September 2019 and 31 December 2019 in relation to the leasing of pipeline networks in the Jiaxing Urban Operating Area. Please refer to the paragraphs headed "Business – Principal PNG Operational Facilities – Pipeline networks – Urban pipeline network" and "Relationship With our Major Shareholders – Independence from our Major Shareholders – Operational independence – Pipeline Network Lease Agreements" in this prospectus for details
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this prospectus only, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Company Law" or "Company Law"	Company Law of the PRC* (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on 27 October 2005 and effective on 1 January 2006, as amended or supplemented from time to time, which was further amended on 28 December 2013 to take effect on 1 March 2014
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Legal Advisers"	Jia Yuan Law Offices, the PRC legal advisers of our Company in connection with the Global Offering
"PRC Pricing Law"	the Pricing Law of the PRC promulgated by the Standing Committee of National People's Congress on 29 December 1997, effective from 1 May 1998
"Price Determination Date"	the date expected to be on or around 9 July 2020, but no later than 10 July 2020, on which the Company and BOCOM International Securities (for itself and on behalf of the other Underwriters) determine the Offer Price for the purpose of the Global Offering

"Qianyu"	Qianyu Group Company Limited* (乾宇集團有限公司), a limited liability company established under the laws of the PRC on 14 July 2009, an associate of Mr. Fu Songquan (傅松權), our non-executive Director, and indirectly owned 11.89% equity interest in our Company as at the Latest Practicable Date
"Qingchi Hot Spring"	Jiaxing Qingchi Hot Spring Tourism Development Company Limited* (嘉興市清池溫泉旅遊開發有限公司), a limited liability company established under the laws of the PRC on 24 December 2015 and wholly-owned by Qingyuan Tourism and hence a connected person of our Company
"Qingyuan Hotel"	Jiaxing Qingyuan Hotel Management Company Limited* (嘉興市清園酒店管理有限公司), a limited liability company established under the laws of the PRC on 12 October 2013 and wholly-owned by Qingyuan Tourism and hence a connected person of our Company
"Qingyuan Tourism"	Zhejiang Qingyuan Tourism Development Group Company Limited* (浙江清園旅遊發展集團有限公司), a limited liability company established under the laws of the PRC on 29 September 2016 and a 30%-controlled company (as defined in the Listing Rules) of Taiding, our Substantial Shareholder, and hence a connected person of our Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Reporting Accountants"	Ernst & Young, the reporting accountants of our Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
"SAT"	State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong

"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 our Company, with a nominal value of RMB1 each, including both the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	holder(s) of Shares
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies* (國務院關於股份有限公司境外募集股份及上市的特別規定) promulgated by the State Council on 4 August 1994, as amended or supplemented from time to time
"sq.km." or "km^2"	square kilometre(s)
"sq.m."	square metre(s)
"Stabilising Manager"	BOCOM International Securities
"State Council"	State Council of the PRC* (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Taiding"	Zhejiang Taiding Investment Company Limited* (浙江泰鼎投資有限公司), a limited liability company established under the laws of the PRC on 26 January 2011, a Substantial Shareholder upon Listing and owned as to 65% by Mr. Sun and 35% by Ms Xu Lili, the spouse of Mr. Sun
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended or supplemented from time to time

"Track Record Period" or "TRP"	FY2017, FY2018 and FY2019
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$" or "U.S. dollars"	United States dollars, the lawful currency of United States
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name(s)
"Xin'ao"	Xin'ao Gas Development Company Limited* (新奧燃氣發展有限公司), a limited liability company established under the laws of the PRC on 26 June 2001, which is a wholly-owned subsidiary of ENN Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688). Save for its 7.16% equity interest in our Company as at the Latest Practicable Date, it is an Independent Third Party
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yinxiang Real Estate"	Jiaxing Yinxiang Real Estate Development Company Limited* (嘉興市胤祥房地產開發有限公司), a limited liability company established under the laws of the PRC on 1 December 2006 and owned as to 90% by Qingyuan Tourism and hence a connected person of our Company

"Zhejiang Commodity Price Bureau"	the Commodity Price Bureau of Zhejiang (浙江省物價局)
"Zhejiang Fengye"	Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司), a limited liability company established under the laws of the PRC on 23 December 2019, which is owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權), and indirectly owned 5.36% equity interest in our Company as at the Latest Practicable Date
"Zhuji Yujia"	Zhuji Yujia New Energy Technology Company Limited* (諸暨宇嘉新能源科技有限公司), a limited liability company established under the laws of the PRC on 13 December 2018, a wholly-owned subsidiary of Qianyu and an associate of Mr. Fu Songquan (傅松權), our non-executive Director. As at the Latest Practicable Date, it owned 11.89% equity interest in our Company
"ZNGD"	Zhejiang Natural Gas Development Co., Ltd.* (浙江省天然氣開發有限公司), a limited liability company established under the laws of the PRC on 19 December 2001, an indirect state-owned enterprise
"%"	per cent.

In this prospectus, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "" and are provided for identification purposes only.*

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of RMB into Hong Kong dollars and vice versa have been made at the rate of RMB1.00 to HK$1.0936 in this prospectus.

No representation is made that any amount in RMB or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

See Appendix III to this prospectus for further details on exchange rates.

This glossary and technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

"construction and installation services"	our business of constructing and connecting end-user pipeline network to urban pipeline network and installing end-user gas facilities, for which we charge our customers construction and installation fees
"end-user pipeline network"	network of low-pressure natural gas pipelines located within the municipal engineering red lines* (市政規劃紅線) for connecting urban pipeline network to our customers' properties
"end-user price"	the unit price at which natural gas distributors, such as our Group, sell PNG to their end-users
"gas"	comprising natural gas and LPG for the purpose of this prospectus
"gateway station price"	the benchmark price determined by the PRC government for wholesale of PNG sold by upstream supplier to local gas distributors such as our Group
"LNG"	liquefied natural gas, refers to natural gas that has been converted into liquid form through cooling
"LPG"	liquefied petroleum gas, a type of inflammable gas produced during natural gas processing and oil refining, which could be stored as liquid under pressure
"natural gas"	gas consisting primarily of methane found in coal beds with or without other fossil fuels
"non-residential usage"	usage of natural gas other than residential usage, i.e. industrial usage and commercial usage and the term "non-residential use" or "non-residential user(s)" shall be construed accordingly

"PNG"	natural gas distributed to end users through pipelines
"total cost of purchase"	total purchase of goods, subcontracted construction services and other services related to our Group's provision of construction services
"urban pipeline network"	network of mid-pressure natural gas pipelines located outside the municipal engineering red lines* (市政規劃紅線)

This prospectus contains forward-looking statements. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "project", "propose", "seek", "should", "target", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs; and
- our ability to identify and successfully take advantage of new business development opportunities.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in "Risk Factors" in this prospectus and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in the PRC, including the sustainability of the economic growth in the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risk factors set out in “Risk Factors” in this prospectus.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

An investment in our H Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR SALES OF GAS, CONSTRUCTION AND INSTALLATION AND OTHER BUSINESSES

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.

We principally engaged in the sales of PNG in our Operating Area under the Concessions. For FY2017, FY2018 and FY2019, 77.2%, 77.9% and 81.0% of our revenue (before government surcharges) was generated from the sales of PNG, respectively. The Jiaxing Urban Area Concession and the Jiaxing Port Area Concession are valid for 25 years until 31 December 2032 and 30 April 2033, respectively, subject to renewal upon expiration and the fulfilment of certain conditions. See the paragraph headed "Business – The Concessions" in this prospectus for detailed terms of the Concession Agreements.

Either of the Concession Agreements may be terminated before expiration under certain circumstances, which include: (i) unauthorised transfer or lease of the Concession; (ii) unauthorised dealing in or pledge of the natural gas facilities and assets; (iii) serious quality or production safety incidents due to our poor management; (iv) unauthorised suspension of business by us that seriously affect public interest and safety; and (v) our engagement in any unlawful conduct. We cannot assure you that the Concession Agreements will not be terminated before its expiration or we will be successful in renewing the agreements with the Concession Grantors at acceptable terms. If either of our Concession Agreements is terminated before expiration or we are not able to renew it for whatever reasons, and we are not able to relocate to an alternative area to continue our operations which is comparable to our existing operations in the Operating Area, our business, financial condition and operating results would be materially and adversely affected.

Jiaxing Pipeline Company is our sole direct PNG supplier, which does not have its own source of PNG other than purchasing from its upstream supplier. Any instability in, shortages of or disruption to the supply of natural gas to us could significantly and adversely affect our business. We may also face shortage of natural gas in the PRC as a whole.

Natural gas constitutes the major raw material for our PNG sale business. Due to the highly regulated nature of the natural gas supply industry in the PRC, during the Track Record Period and as at the Latest Practicable Date, Jiaxing Pipeline Company was our sole direct PNG supplier which, to the best of our Directors' knowledge, is the only PNG wholesaler to sell PNG to PNG distributors in Jiaxing and does not have its own source of PNG other than purchasing from ZNGD, which will allocate PNG based on the planned purchase volume by different cities in Zhejiang Province.

In 2016, we entered into the Master Supply Agreements with Jiaxing Pipeline Company for a ten-year term until 31 December 2025 for the supply of natural gas from Jiaxing Pipeline Company. For FY2017, FY2018 and FY2019, we purchased 264.5 million m^3, 384.3 million m^3 and 361.8 million m^3, respectively, of natural gas from Jiaxing Pipeline Company, and our cost of purchase of natural gas from Jiaxing Pipeline Company amounted to RMB543.6 million, RMB832.1 million and RMB887.0 million, respectively, representing approximately 69.8%, 82.6% and 83.7% of total cost of purchase.

As we do not maintain a reserve of PNG, we may need to source alternative supply of natural gas or even to impose temporary limitations on our distribution of natural gas to our customers when we receive an insufficient supply of natural gas from our supplier. Any dispute between us and Jiaxing Pipeline Company or between Jiaxing Pipeline Company and ZNGD may cause disruption to this supply chain of PNG, which could result in the loss of business opportunities. For other risks in relation to the change of relationship between Jiaxing Pipeline Company and ZNGD, please refer to the paragraph headed "Risks relating to Our Sales of Gas, Construction and Installation and Other Businesses – We are affected by proposed or recently issued PRC government's policies over our business operation. There is no assurance that we will be able to adapt to these government policies in a timely manner or at all" in this section.

Further, we may also face shortage of natural gas in the PRC as a whole, due to reasons beyond our control, for examples, disruption of natural gas supply of our upstream supplier or the occurrence of any adverse political and economic conditions in natural gas exporting countries, resulting in the significant fluctuation of natural gas supply in the market. If we are unable to source sufficient amount of natural gas from alternative suppliers on commercially acceptable terms, or at all, our business, financial condition and operating result would be materially and adversely affected.

We cannot assure you that our take-or-pay obligation under the Master Supply Agreements with Jiaxing Pipeline Company will not be enforced.

According to the Master Supply Agreements with Jiaxing Pipeline Company, we are obliged to purchase a minimum volume of natural gas per year on a “take-or-pay” basis for each of the Jiaxing Urban Operating Area and Jiaxing Port Operating Area and the minimum annual purchase volume is linked to our planned purchase volume of the corresponding year submitted. If our actual purchase volume is below the minimum annual purchase volume for any given year, Jiaxing Pipeline Company has the right to require us to pay for the difference between the actual purchase volume and the minimum annual purchase volume in such year. See the paragraph headed “Business – Our Source of PNG Supply” in this prospectus for details.

There is no assurance that we will not experience any failure of meeting such minimum purchase volume in the future and that in such case, Jiaxing Pipeline Company will not enforce our take-or-pay obligation. In the event that Jiaxing Pipeline Company enforces our take-or-pay obligation in respect of any of our future failure(s) of meeting the minimum annual purchase volume, we will be required to pay Jiaxing Pipeline Company for the shortfall in accordance with the Master Supply Agreements. In such case, after we have made the payment, we have the right to require Jiaxing Pipeline Company to supply the supplemental amount of natural gas, subject to the terms and conditions of the Master Supply Agreements. If the amount we are required to pay in such event is significant and if we are not able to sell the surplus amount of gas supplied by Jiaxing Pipeline Company, our business and operating results could be materially and adversely affected.

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

According to the PRC Pricing Law, the PRC government may direct, guide or determine the prices of public utilities. The Jiaxing Municipal People’s Government determines the benchmark gateway station price which our PNG purchase price is based on and the end-user prices at which PNG is sold to retail customers in our Operating Area. In general, in respect of PNG for residential usage, the end-user price is fixed by the Jiaxing Municipal People’s Government, whereas for non-residential usage (i.e. industrial and commercial usage), the end-user price is agreed between the end users and us, subject to the maximum end-user price determined by the Jiaxing Municipal People’s Government. Please see “Business – Pricing of PNG” in this prospectus for details on the regulatory regime for pricing of PNG.

Where there is an increase of our purchase price by our supplier resulting from the increase in the benchmark gateway station price by the NDRC, or for whatever reasons, we will consider taking necessary steps, including the making of applications to the relevant local pricing bureaux for adjustment of our selling price, to try to pass on the corresponding increase in our purchase price to our customers in a timely manner. The local pricing bureaux may allow us to adjust our selling price based on our application. In the case of PNG for residential usage, the relevant local pricing bureaux's review and determination on any price adjustment is subject to a hearing process that involves the affected residents. For non-residential usage, the maximum end-user price could be reviewed and determined by the relevant local pricing bureaux without hearing process. If we are unable to do so, we may not be able to maintain our profitability, and our operating results may be materially and adversely affected. Furthermore, there is generally a time lag between the increase in our purchase price and the increase in our selling price, and any increase in our PNG purchase price may negatively affect our profit margin for the period before we can adjust our selling price accordingly.

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

According to the Opinions on the Implementation of the Operation Mechanism Reform of the Oil and Natural Gas Pipeline Network (《石油天然氣管網運營機制改革實施意見》) proposed by the Seventh Meeting of the Central Comprehensive Deepening Reform Committee on 19 March 2019, the PRC government intends to unify the intermediary pipeline networks, strengthen the control on transmission cost of the intermediary pipeline networks and promote multi-channel supply of upstream PNG sources. According to Notice on Issuing of the Summary of Structural Reforms in Energy Sector in 2020 (《關於印發2020年浙江省能源領域體制改革工作要點的通知》浙發改能源[2020]12號) ("2020 Summary") issued by Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) and Zhejiang Energy Regulatory Office of National Energy Administration (浙江省能源局) on 20 January 2020, the government aims to (i) discontinue the monopoly status of the provincial natural gas pipeline companies; (ii) separate the function of natural gas sale and distribution; (iii) promote the fair and equal access to the infrastructure of natural gas, such as provincial pipeline network and LNG terminals, by all market entities; and (iv) reform and simplify the natural gas supply chain. Please refer to the paragraph headed "Business – Our source of PNG supply – Our relationship with jiaxing Pipeline Company" in this prospectus for details.

Our PRC Legal Advisers are of the view that based on the 2020 Summary, the sale and purchase relationship between ZNGD and Jiaxing Pipeline Company may change or be terminated, and PNG distributors in Jiaxing, including us, may be allowed to directly purchase the natural gas from ZNGD. As the abovementioned policy intends to minimise the role of Jiaxing Pipeline Company, being the intermediary pipeline network in the PNG supply chain, we cannot assure you that we will be able to formulate new procurement plans, in a timely manner or at all, to secure sufficient PNG supply from ZNGD or other upstream PNG sources for our business operation. We may incur additional operating costs from PNG transmission, quality test, quantification and verification, or submission of our planned purchase volume, among other procurement processes that require close collaboration with our upstream suppliers, which may have an adverse impact on our results of operations.

On 27 June 2019, the NDRC, the Ministry of Housing and Urban-Rural Development of the PRC and the State Administration for Market Regulation of the PRC jointly issued the Installation Charges Opinions which came into effect on the same date, which state that the profit-to-cost ratio for installation services for city natural gas projects shall not exceed 10%. As confirmed by our PRC Legal Advisers, the Installation Charges Opinions are guidance opinions, and as at the Latest Practicable Date, there were no implementation rules issued for the Installation Charges Opinions and there was no provision for the legal consequences of violating the Installation Charges Opinions. Please see the paragraph headed "Regulatory Overview – Pricing of natural gas – Pricing of construction and installation services" in this prospectus for further details. We cannot assure you that we will be able to adjust our pricing and maintain similar level of profitability for our provision of construction and installation services when the implementation rules for the Installation Charges Opinions in Jiaxing are issued.

The abovementioned policies, together with any proposed policies over the natural gas industry by the PRC government in the future, may bring along significant changes to our business operation. There is no assurance that we will be able to adapt to these government policies in a timely manner or at all. In such event, our financial and operational performance may be adversely affected.

We require various licences and permits to commence, operate and expand our business operation. In addition, we were not in full compliance with certain applicable PRC laws and regulations during the Track Record Period. Any failure to obtain or renew any or all of these licences and permits or any enforcement action taken against us for non-compliance incident may materially and adversely affect our business and expansion plans.

In accordance with the applicable PRC laws and regulations, we are required to obtain and maintain various licences and permits in order to commence and continue our operation. Please refer to the paragraph headed "Business – Legal and Compliance Matters – Licences and Permits" in this prospectus. Our operation facilities are subject to inspections by the regulatory authorities for compliance with the applicable PRC laws and regulations. Failure to pass these inspections, or the revocation of or failure to obtain or renew our licences and permits could cause us to temporarily or permanently suspend some or all of our operation facilities, which could disrupt our operations and may materially and adversely affect our business, financial condition, operating results and reputation.

In addition, as disclosed in the paragraph headed "Business – Legal and Compliance matters – Legal Compliance" in this prospectus, we had certain deficiencies in legal and statutory compliance in the PRC during the Track Record Period including: (i) idle land; (ii) commencement of construction works prior to obtaining investment project approval documents, location opinions, construction land planning permits, construction work planning permits, construction work commencement permits and failure to complete the construction completion inspections; and (iii) failure to undertake social insurance and housing provident fund registrations for some of our employees and make full contribution to the social insurance and housing provident funds for our employees. Pursuant to the relevant laws and regulations, the possible legal consequences and liabilities include administrative penalties or punitive measures imposed on the relevant member of our Group, return or confiscation of land or demolition of buildings or facilities erected, payment of fines, outstanding contributions and/or overdue penalty, as the case may be. If any of the government agencies takes enforcement action against us for these non-compliance incidents, we may be ordered to pay fines and/or other penalties, incur legal costs arising from any successful legal action brought against us and may result in business disruption and/or negative media coverage, which may adversely affect our business, operating results and reputation.

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

According to the Measures on the Disposal of Idle Land (《閒置土地處置辦法》) promulgated by MOLR, if we fail to commence construction after one year but less than two years from the construction commencement date prescribed in the relevant land grant contract, we may be subject to a penalty for idle land at an amount being 20% of the land grant premium, or if we fail to commence construction after more than two years from the prescribed construction commencement date, the right to use the land can be resumed by the PRC government without compensation, unless the delay in commencement of construction is caused by force majeure or acts of government.

During the Track Record Period, the construction work on the land situated at the south of Zhawang Highway, the north of Pinghu Pond and the south side of Dawang River of site area of approximately 16,600.0 sq.m. had been delayed for more than two years from the prescribed construction commencement date and construction completion date under the land grant contract. Please refer to the paragraph headed "Business – Legal and Compliance Matters – Legal compliance" in this prospectus for details.

We cannot assure you that we will be able to fully comply with the obligations under the land grant contract in the future due to factors which are beyond our control, or that we will not be subject to idle land fees or our relevant property will not be taken back by the government as a result of such delay. If we fail to comply with the terms of the land grant contract as a result of delay in project development or any other reasons, we may have financial loss or lose our previous investments in the land and the opportunity to develop the land, which may have an adverse effect on our business, results of operations and financial condition.

The outbreak of any severe communicable disease, such as COVID-19, if uncontrolled, could adversely affect our results of operations.

Our business is subject to general economic and social conditions in the PRC. The outbreak of any severe communicable disease (or the escalation and/or intensification of any outbreak of any severe communicable disease) such as COVID-19, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), H5N1 avian flu, Ebola virus, as well as influenza caused by H7N9 and H3N2 or the human swine flu (H1N1), also known as influenza A virus, and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC, which in turn may adversely impact domestic natural gas consumption and our business.

Beginning in late 2019, the PRC and various countries around the world encountered an outbreak of COVID-19, a highly contagious disease. In response to the severity of the COVID-19 outbreak, the Chinese officials have extended the Lunar New Year holiday by three days in the PRC to 2 February 2020. According to the Notice of General Office of the People's Government of Zhejiang Province on the Delay of Resumption of Work by Enterprises and Start of School* (《浙江省人民政府辦公廳關於延遲企業復工和學校開學通知》) issued by the People's Government of Zhejiang Province, the resumption of work by enterprises after the Lunar New Year holiday shall be delayed and shall not be earlier than 9 February 2020 in order to effectively strengthen the prevention and control of the spread of COVID-19 in Zhejiang Province. The World Health Organisation has declared that the outbreak of COVID-19 as a public health emergency of international concern in January 2020 and characterised COVID-19 as pandemic in March 2020. Accordingly, we suspended part of our business operations from 31 January 2020 to 9 February 2020.

Any future outbreak of COVID-19, SARS, MERS, H5N1 avian flu, Ebola virus or other similar adverse epidemics may, among others, significantly disrupt our business. The outbreak of COVID-19 may have serious implications for the global economy due to a slowdown at manufacturing and industrial sites in the PRC as well as reduced demand by PRC consumers or customers of other countries/territories being affected. During the Track Record Period, we generated the majority of our revenue from our PNG operations pursuant to the Concessions, which is the sales of PNG in our Operating Area. For FY2017, FY2018 and FY2019, we generated approximately 77.2%, 77.9% and 81.0% of our revenue (before government surcharges) respectively, from our sales of PNG. We supplied PNG to our retail customers, comprising non-residential users (namely industrial and commercial users) and residential users, with non-residential users being our major customers. Accordingly, the demand from end-users, especially our industrial and commercial users, may be significantly reduced due to the decreased economic activities. During the Track Record Period, our sales of PNG to industrial users amounted to RMB501.9 million, RMB768.2 million and RMB836.6 million, respectively, representing 73.1%, 78.0% and 77.3% of our total sales of PNG. If the demand for PNG from our industrial users decreases significantly due to the outbreak of COVID-19, our results of operation, financial position and prospect may be disrupted.

In addition, an outbreak of infectious disease may cause shortage of labour and/or raw materials, and/or temporary suspension of our sales of gas and/or provision of construction and installation services. Our operations could also be disrupted if any of our employees were suspected of contracting or contracted a communicable disease, since this could require us to quarantine some or all of our employees and disinfect the relevant area. The outbreak may also severely affect and restrict the level of economic activity as the government may impose regulatory or administrative measures quarantining affected areas or other measures to control or contain the outbreak of the communicable disease, which in turn may have a material and adverse effect on our business, financial position and results of operations.

On the other hand, any price adjustment measures imposed by the PRC government as a result of any outbreak of infectious disease may adversely reduce our revenue generated from our business. According to the Notice on Temporarily Reducing the Price of Gas, Water and Electricity for Enterprises During the Epidemic Prevention of COVID-19 (《關於新冠肺炎防疫期間臨時降低企業用氣用水用電價格的通知》浙發改價格[2020]22號) and the Notice on the Adjustment of the Natural Gas Prices of Gateway Stations (《浙江省發展改革委關於調整天然氣門站價格的通知》(浙發改價格[2020]91號) issued by Zhejiang Development and Reform Commission and Notice on Floating Down the Natural Gas Prices of City Gateway Stations in June 2020 (《關於下浮2020年6月天然氣城市門站價格的通知》) issued by Jiaxing Pipeline Company, the sales price ceiling of non-residential usage and coal-to-gas as well as the prices of gateway stations were temporarily adjusted from 1 February 2020 to 21 February 2020, from 22 February 2020 to 31 May 2020 and from 1 June 2020 to 1 July 2020, respectively. As a result, the above temporary adjustments of prices led to a decrease in revenue generated from our sales of gas by approximately 0.3% during February to April 2020 as compared to that in the situation without such price adjustments. As confirmed by our Directors, as the sales price of our major non-residential users are below the adjusted sales price ceiling, it is estimated that the temporary adjustment of prices will not have a material impact on our revenue generated from sales of gas for FY2020 as compared to that in the situation without such price adjustments. If the PRC government imposes any further unfavourable price adjustment measures related to our business in the future, our results of operation, financial position and prospects may be materially and adversely affected.

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

We operate in a high risk industry due to the flammable and explosive nature of natural gas and LPG. Our operation processes such as PNG distribution and natural gas transportation, and operational facilities such as urban pipeline network and LPG bottling lines are subject to risks and hazards, including gas leakage, equipment failures, natural disasters, environmental hazards and industrial accidents involved in the operation of our business.

Significant operational hazards and natural disasters may cause interruptions or suspension in our operations that could have a material adverse impact on our business and financial condition, as well as our reputation. These hazards may cause significant personal injury or death, severe damage to and destruction of our assets, and contamination of or damage to the environment. We may be subject to governmental investigations, which may give rise to administrative action imposed on our subsidiaries or our management personnel. We may also face criminal liabilities imposed by the government and/or civil liabilities or fines as a result of damage suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws and regulations. Furthermore, epidemics or pandemics and other acts of God which are beyond our control may adversely affect the economy and livelihood of the people in the PRC, which could adversely affect our business operations and financial condition.

We cannot assure you that our insurance policies are adequate or that we will be insured fully against all risks and losses that may arise. Any safety accidents may have a material negative impact on our reputation. If we incur a material loss or a loss that significantly exceeded the limits or coverage of our insurance policies, our business, financial condition and operating results may be materially and adversely affected. In addition, our insurance policies may be subject to review by our insurers from time to time, and we cannot assure you that we will be able to renew these policies on similar or acceptable terms, or at all.

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

We are required to make substantial initial capital investments to construct, acquire and maintain pipeline network and natural gas processing infrastructure as well as financing the Dushan Port Project. These capital investments comprise funding required to construct, acquire and maintain gas facilities varies based on the cost of fixed assets and cost of construction. For FY2017, FY2018 and FY2019, we incurred cash outflows of RMB57.0 million, RMB38.0 million and RMB34.9 million, respectively, for purchase of property, plant and equipment and investment properties. We also expect to incur significant capital expenditure for our current and future projects that are currently at the planning stage. We estimate that our planned capital expenditures including purchase of property, plant and equipment and costs of constructions of projects for FY2020 to be RMB52.0 million. For more details regarding our planned capital expenditure, see the paragraph headed "Financial Information – Capital Expenditures" in this prospectus.

Furthermore, the prices of the construction materials and equipment may increase. Other factors affecting the amount of capital expenditures include, among others, labour costs and finance expenses, our capital expenditure for construction and renovation of pipeline network and other natural gas facilities may be higher than our planned amount, which may need additional funding to finance.

During the Track Record Period, we relied in part on external sources of funding, including bank borrowings and loans from our shareholder, to fund the construction and maintenance of pipeline network and gas facilities. As at 31 December 2017, 2018 and 2019, our bank loans amounted to RMB178.5 million, RMB213.0 million and RMB193.4 million, respectively. Our gearing ratio as at these dates was 67.3%, 63.0% and 54.2%, respectively. For more details, see the paragraph headed "Financial Information – Indebtedness" in this prospectus.

Our ability to obtain external funding depends on many factors, including but not limited to, general economic and capital market conditions, general conditions in the natural gas industry, economic conditions in the geographic areas of our proposed projects, government policies, the availability of credit from banks and other lenders and our future cash flows, financial condition and results of operations. We cannot assure you that we will generate sufficient cash flow from our operating activities for our intended expansion plans or such external funding will be available to us in a timely manner and on acceptable terms, or at all. Failure to obtain sufficient funding for our projects may delay the implementation of our growth strategies, expose us to potential penalties under the relevant agreements and delay the completion of construction or commencement of operation, any of which could adversely affect our business, financial condition, results of operations and prospects.

If we raise additional funding, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of the Shareholders in the case of equity financing. Further, as our bank loans are principally denominated in RMB, the interest rates on our loans are primarily affected by the benchmark interest rates set by the PBOC. In China, the PBOC regulates the lending rates and reserve requirement ratios for commercial banks. In recent years, it revised the benchmark lending rates and adjusted the reserve requirement ratio for commercial banks several times. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Increases in the bank reserve requirement ratios may negatively impact the amount of funds available to commercial banks in China to lend to businesses, including our Company. Changes in the interest rates and reserve requirement ratios for banks have affected and will continue to affect our finance cost and profitability. We cannot assure you that the PBOC will not raise the benchmark lending rates or reserve requirement ratios in the future and any such increase may lead to higher lending rates and limit the amount of funds the banks have for lending, which may increase our finance cost and thereby, materially and adversely affect our business, financial condition, results of operations and prospects.

Our future growth strategies may not succeed.

We cannot assure you that we can secure the necessary resources to implement our future expansion plan. We may fail to obtain the necessary initial capital to fund our future plans or employ suitable personnel to manage our expanded business. In that case, our future expansion plan may need to be adjusted or some of our future expansion plan may not be achieved or deliver the expected results.

There can be no assurance that we can secure the necessary resources to implement our future expansion plan, and even if we successfully implement our future expansion plan we may still face challenges in, but not limited to, the following areas:

- difficulties in integrating any acquired companies, technologies, personnel or products into our existing business;

- difficulties in sourcing new customers or suppliers for the expanded business scope;

- difficulties in implementing management and internal control mechanisms that timely and adequately respond to our expanded scope of operations; and

- costs of integration that exceed our anticipation.

The occurrence of any of the above constraints may materially and adversely affect our business, financial condition, operating results and prospects.

We place reliance on pipelines in our operation and have limited control over the construction of pipelines and gas facilities by third parties.

Our operation requires urban pipeline network and end-user pipeline network connected to our customers for distribution of PNG. If there is unexpected breakdown or malfunction of these pipelines or gas leakage, we will need to carry out repairs and/or replacement work which takes time, and we may have to temporarily shut down PNG supply to our customers, which in turn, may adversely affect our business, operating results and reputation.

We also lease certain urban pipeline network and gas facilities from Jiaxing Pipeline Company in the Jiaxing Urban Operating Area for our sales of PNG. Pursuant to the lease arrangement with Jiaxing Pipeline Company, in the event of breakdown or malfunction of the pipelines and gas facilities leased from it, we shall be responsible for the repairs and replacement work. We have no control over the construction of urban pipeline network and gas facilities by Jiaxing Pipeline Company and cannot guarantee that such pipeline network and gas facilities do not contain any quality defect from construction. Any inherent defect in them, which Jiaxing Pipeline Company may not be aware of or have notified us of, may cause interruption to our supply of PNG to our customers, additional capital expenditure for repair and replacement works, or even severe safety risks to our staff and the general public. If we are not able to detect or fix any defect incurred in the construction of the leased pipeline network and gas facilities in a timely manner or at all, our business and operating results may be adversely affected.

Further, during the Track Record Period, we engaged third party contractors for the construction of certain urban pipeline network and end-user pipeline network. We cannot assure you that we are able to exercise the same degree of control over the quality of work performed by such third party subcontractors as our internal operation or that their workmanship will not contain any defect which may adversely affect our sales of gas business and construction and installation business. We also cannot assure you that the services rendered by such contractors will be continuously available on commercially acceptable terms, or at all. Any interruption in or loss of their services and our failure to engage an appropriate replacement on a commercially acceptable terms, or at all, in a timely manner, our business, financial condition and operating results may be materially and adversely affected.

There may be unauthorised alteration of our gas meters which affect our measuring and fee collection for our sales of PNG.

We sell our PNG to our customers and charged them according to the volume of natural gas used as measured by our gas meters installed at our customers' properties. We cannot assure you that our measures to prevent unauthorised alteration or tampering with our gas meters taken are effective and that such incident will not happen in the future. In the event that our gas meters are altered or tampered with, the measurement and reading of the volume of PNG used by the relevant customers may be significantly less than the actual volume supplied by us, which may adversely affect our business, financial condition and operating results.

RISKS RELATING TO THE DUSHAN PORT PROJECT

As part of our strategies, we invested in and held 51% equity interest in Hangjiaxin for the implementation of the Dushan Port Project, namely the establishment of a LNG storage and transportation station in Dushan Port for the import and storage of LNG to meet the demand for natural gas in Jiaxing and neighbouring cities, including Shanghai, Hangzhou and Suzhou. See the section headed "Dushan Port Project" in this prospectus for details. The following are risks associated with the implementation of the Dushan Port Project.

We do not have full control over Hangjiaxin, our joint venture established for the Dushan Port Project, and any disagreement with our partner may adversely affect the development of the project.

Hangjiaxin is a joint venture which, as at the Latest Practicable Date, was held as to 51% by us and 49% by Hangzhou Gas. All matters which are to be resolved at the general meetings of Hangjiaxin are required by its articles of association to be approved by not less than two-thirds of the voting rights held by the equity holders, and all matters which are to be resolved at the board meetings of Hangjiaxin are required by its articles of association to be approved by not less than two-thirds of the directors. For further information, please refer to the paragraph headed "Dushan Port Project – Hangjiaxin as our joint venture" in this prospectus.

Since we do not have full control over Hangjiaxin and Hangzhou Gas may have economic or business interests or goals that are inconsistent with ours, Hangjiaxin may, in its development and operation of the Dushan Port Project, omit to take actions according to our policies or objectives, or in violation of good corporate governance practices, or fail to achieve the financing targets in due course. In addition, there is no assurance that our partner will be able or willing to fulfill their obligations under the relevant joint venture agreement and articles of association, or there will not be any change in the shareholding structure or business plan. Our partner may have disagreements with us over the operation of Hangjiaxin or the Dushan Port Project. Any variations or contingencies may require further joint venture agreements to be signed, which may or may not be achievable. We cannot assure that our partner will at all times during the term of the joint venture agree with us on all our proposed actions for Hangjiaxin, or not to cause any problems with respect to Hangjiaxin, which may adversely affect the development of the Dushan Port Project and indirectly give an adverse effect on our financial position and/or reputation.

The Dushan Port Project may incur cost or time overrun in its development

The construction of the Dushan Port Project is currently estimated to be completed in around the second quarter of 2021. The currently expected total initial capital expenditure for the Dushan Port Project is approximately RMB1,885.2 million, of which RMB583.1 million was incurred as at 31 December 2019. Similar to other large scale infrastructure construction projects, both the completion schedule and the capital expenditure of the Dushan Port Project could be affected by many factors, such as acts of god, general economy, industry performance, available third party resources, construction costs and labour costs, some of them are beyond the control of Hangjiaxin's management. In the event the project cannot be completed in time, or the capital expenditure currently estimated will be exceeded, our estimated investment payback period may not be achieved and our investment return may be adversely affected, or we may have to make further capital injection or provide other financial support, which might indirectly have an adverse effect on our financial position.

Hangjiaxin may need additional funding to meet the business requirements and plans of the Dushan Port Project, which it may not be able to obtain on acceptable terms or at all.

The registered capital of Hangjiaxin is RMB700 million, of which RMB304.3 million has been paid up as at the Latest Practicable Date, and the remaining amount of RMB395.7 million shall be paid up by us and Hangzhou Gas in proportion to their equity interest by July 2067. Given the expected total initial capital expenditure for the Dushan Port Project is approximately RMB1,885.2 million, Hangjiaxin has been utilising both its equity capital and external borrowings to fund the capital expenditure of the project. As at 31 December 2019, Hangjiaxin has a total unutilised bank facilities of RMB873.1 million. It is currently expected that part of the further financings required by Hangjiaxin for the construction of the Dushan Port will be financed via capital injection and loan from shareholders, and we being a shareholder of Hangjiaxin plan to use certain net proceeds from the Global Offering to pay up our capital contribution towards Hangjiaxin and to provide shareholder's loan as and when appropriate. For details, please refer to the paragraph headed "Dushan Port Project – Expected capital expenditure and source of funding" in this prospectus. In the event that Hangjiaxin would require additional funding in excess of the amount currently budgeted, such additional funding may need to come either from bank borrowings, which Hangjiaxin may not be able to timely obtain on terms acceptable to it, or at all, or from internal resources and/or another round of equity financing, which the shareholders have no commitment beyond what they have committed under the joint venture agreement and the articles of association. In particular, Hangjiaxin's ability to obtain external funding depends on many factors, including but not limited to, general economic and capital market conditions, general conditions in the natural gas industry, economic conditions in the geographic areas around Dushan, government policies, the availability of credit from banks and other lenders and the performance of its business. Failure to obtain sufficient funding for the Dushan Port Project may delay the implementation of Hangjiaxin's commencement of operation and business plans, which may adversely impact on us as its shareholder.

The expansion into the import and sales of LNG and LNG-related business may place significant strain on Hangjiaxin's managerial and operational resources.

As Hangjiaxin is a new joint venture and has limited experience in the import and sales of LNG and LNG related business, it needs to identify, recruit and train additional employees. Hangjiaxin may not be able to identify and recruit sufficient staff with suitable experience and qualifications for the Dushan Port Project on acceptable terms or at all. We may also need to allocate additional managerial and operational resources to oversee and monitor our investment and operations under the Dushan Port Project, which may incur additional operating costs. The success of the Dushan Port Project also depends on the ability of Hangjiaxin's management team in managing its internal resources and monitoring its expansion effectively. If Hangjiaxin fails to recruit suitable staff or its management fail to manage and monitor its internal resources effectively, the implementation of the Dushan Port Project may be materially constrained and its operating results may be adversely impacted.

Hangjiaxin relies on third party service providers for the design, project management and construction of key operational facilities under the Dushan Port Project.

Hangjiaxin has been relying on third party service providers for the design, project management and construction of key operational facilities under the Dushan Port Project. As a result, Hangjiaxin's operations and financial results will be affected by factors such as the performance, the pricing and the ability of the third party experts to complete the project. There is no assurance if Hangjiaxin is able to engage the third parties with suitable qualifications and experience in a timely manner or on acceptable terms or at all. The success of the construction phase of the project depends on the ability of Hangjiaxin's management team in communicating proper technical requirements and specification of the project to the third party experts and monitoring the coordination between different third parties effectively. There is no guarantee that the design of the facilities would be able to serve the intended purposes and cater for the expected demand of the project or if the main contractor would perform its project management responsibilities up to the relevant regulatory requirements and industry standards.

Any failure by these third parties to meet the relevant quality, safety and environmental standard could disrupt the construction progress of the Dushan Port Project and affect the compliance of Hangjiaxin with government rules and regulations. There may be unexpected difficulties for certain facilities to pass the required completion tests or obtain necessary licences and permits for future operation. In such event, Hangjiaxin will suffer from additional capital expenditure to implement remedial measures, such as revising the facilities design and finding alternative contractors, which may have a material adverse effect on its business, reputation, financial condition and results of operations.

Hangjiaxin may not be able to secure sufficient LNG supply on acceptable terms or at all.

Hangjiaxin plans to import LNG from overseas LNG suppliers through international shipping for the supply of LNG under the Dushan Port Project. However, neither us nor Hangjiaxin has entered into contracts with any overseas LNG suppliers. We cannot guarantee that Hangjiaxin will be able to identify suitable LNG suppliers with whom it can successfully establish business relationship. There is no assurance that Hangjiaxin can secure LNG supply in sufficient amount, quality, in a timely manner or on acceptable terms or at all.

Furthermore, maritime shipping involves various complexities and unforeseeable risks, of which we have limited control. The success of the Dushan Port Project depends on its management's ability to manage these risks effectively. Any delay or shortage of LNG supply through international shipping, whether due to natural or man-made reasons, may cause disruption to the operation of the Dushan Port Project and materially affect its operating results and financial performance.

The purchase and selling prices of LNG are susceptible of market fluctuations.

As advised by our PRC Legal Advisers, the purchase and selling prices of LNG are not subject to any pricing regulatory regime in the PRC. As such, the purchase and selling prices of LNG are susceptible to market fluctuations. There is no assurance that Hangjiaxin will have an accurate command of the market conditions at any point in the future. Hence, we cannot guarantee that Hangjiaxin will be able to procure LNG at a price commercially beneficial to it, pass the increase of costs through adjustment of its selling price to its customers in a timely manner, or at all. If LNG procurement cost significantly fluctuates in the future and Hangjiaxin fails to respond to such fluctuation promptly, its operating results and financial conditions may be materially and adversely impacted, in which case it may pose difficulties in our recovering of our investment in the Dushan Port Project.

Hangjiaxin is not familiar with the market demand for LNG from Jiaxing and the neighbouring cities to which it intends to supply natural gas through the Dushan Port Project.

Whilst we have conducted LNG sale business and provided LNG transportation services during the Track Record Period, we have not established any extensive customer base for the sales of LNG in Jiaxing or its neighbouring cities. Hangjiaxin also does not have any prior business track record.

Given the trading of LNG is subject to a less restrictive regulatory regime in the PRC and with no restriction on operation area, Hangjiaxin may face competition from other LNG suppliers which have already had operations in its potential markets. These competitors may have better experience, resources and market coverage than Hangjiaxin and may be able to sell LNG to our target customers through more competitive or cost-efficient arrangements. Therefore, Hangjiaxin may encounter difficulties in negotiating relevant agreements with its potential customers. It may not be able to accurately project the demand for LNG from Jiaxing and neighbouring cities and manage our procurement and inventory of LNG successfully. If Hangjiaxin fails to adapt to the competitive landscape and local markets, it may not be able to achieve the expected operating results, which in turn could have a material impact on our financial performance.

Changes in preferential governmental policies could affect the expected profitability.

According to the F&S Report, there are several beneficial policies released to support and drive the development of natural gas industry. For instance, the Ministry of Finance issued the "Notice on Relevant Issues Concerning Adjustment of Natural Gas Import Tax Preferential Policies" (《關於調整天然氣進口稅收優惠政策有關問題的通知》) which will further promote the import volume of LNG. In addition, the NDRC and the National Energy Administration jointly issued "The Opinions on Accelerating the Construction of Gas Storage Facilities and Improving the Market Mechanism of Gas Storage and Peak Regulation Auxiliary Services"* (《關於加快儲氣設施建設和完善儲氣調峰輔助服務市場機制的意見》) in April 2018, pursuant to which the PRC government sets down certain directions to accelerate the construction of gas storage facilities for natural gas companies, in particular, to construct coastal LNG terminals and storage tanks for receipt and storage of LNG. See the paragraph headed "Industry Overview – China, Zhejiang Province and Jiaxing Natural Gas Industry Overview – Market drivers" in this prospectus for further details.

There is no assurance that the PRC government will continue to promulgate preferential governmental policies to support and drive the development of natural gas (including LNG). Any unfavourable changes in the current governmental policies could increase our import costs or incur additional compliance costs, which could pose additional burden on our working capital and adversely impact the expected profitability of the Dushan Port Project.

OTHER RISKS RELATING TO OUR GROUP

We generated almost all our revenue from our business operations in Jiaxing. Our business and operating results depend heavily on the economic and social conditions and prosperity of Jiaxing and its neighbouring regions.

We operate our business in Jiaxing of Zhejiang Province. During the Track Record Period, we sold gas to customers from which we derived a majority of our total revenue and provided construction and installation services of pipeline network and gas facilities for customers situated in Jiaxing. Furthermore, the Dushan Port, where our new LNG sale business is based, is also located in Jiaxing and expected to service customers in Jiaxing and its neighbouring regions. We expect that Jiaxing and its neighbouring regions will continue to be our principal market.

Our Directors believe that our business, financial condition, operating results and prospect will continue to be affected by (i) the economic and social development such as user base for natural gas, degree of industrialisation and urbanisation and the acceptance and perception of customers to natural gas in Jiaxing and its neighbouring regions; and (ii) the continued support of the national and local governments in the promotion and increasing utilisation of natural gas as an economical, efficient and clean energy source. We cannot assure you that the economic development in Jiaxing will continue to develop as anticipated, or that the macro-or local economic environment or PRC government's policy on natural gas will not change. If Jiaxing or its neighbouring regions experience any adverse economic, political or regulatory conditions due to events beyond our control, our business, financial condition, operating results and prospects may be materially and adversely affected.

Our business depends substantially on our ability to attract and retain experienced professionals.

The sustainable growth of our business depends upon the continued service of our senior management. The industry experience, expertise and contributions of our executive Directors and other members of our senior management as set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus remain essential to our continuing success. Each of them takes an important role in formulation and implementation of our business strategies. We will require an increasing number of experienced and competent executives to implement our growth plans. If we lose a number of our key management members and are unable to recruit and retain personnel with equivalent qualifications, the growth of our business could be adversely affected.

Our business, financial performance and prospects also depend on our ability to employ, train and retain highly skilled personnel, including managerial, design, engineering and other technical professionals. We need to retain and, if necessary, recruit a large number of highly qualified engineers and other skilled workers for the construction of our gas facilities and operations. In addition, we need to hire qualified managerial, technical, marketing and other personnel to implement our business initiatives as we expand our operations.

Competition for skilled personnel is generally intense in the PRC. We cannot assure you that we will be able to maintain an adequate skilled labour force necessary to execute our projects or to perform other corporate activities, and staff costs may increase as a result of a shortage in supply of qualified personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or if we fail to maintain an adequate labour force, our business operations could be adversely affected and our future growth and expansion may be hindered.

We are exposed to credit risk in relation to our customers.

Our credit risk arises from default by our counterparties, primarily including our customers. As at 31 December 2017, 2018 and 2019, we had trade and bills receivables of approximately RMB34.2 million, RMB39.6 million and RMB49.1 million, respectively. Our trading terms with our customers are mainly on credit except for certain new customers where payment in advance is required. The average credit period range is within 180 days. For FY2017, FY2018 and FY2019, our average turnover days of trade receivables were approximately 12.7 days, 10.7 days and 12.2 days, respectively. There may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment provision and may affect our cash flows. There is no assurance that we will be able to fully recover our income from our customers or that they will settle their payment in a timely manner. In the event the settlement from the customers is not made in a timely manner, the financial position, profitability and cash flows of our Group may be adversely affected.

In addition, our major customers may default on their payment to us as a result of deteriorating financial condition or liquidity issues. As at 31 December 2017, 2018 and 2019, we had impairment losses on our trade and bills receivables of approximately RMB3.5 million, RMB2.5 million and RMB2.4 million, respectively. We cannot assure you that we can detect potential default by our customers in a timely manner or at all. Should the creditworthiness of our customers deteriorate or should a significant number of our customers fail to settle their payment in full for any reason, we may incur impairment losses and our results of operations, financial position and cash flows could be materially and adversely affected.

Our profitability is affected by changes in fair value of financial assets at fair value through profit or loss due to the related valuation uncertainties.

During the Track Record Period, the fair values of our unlisted equity investment at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The fair values of such assets were estimated using a discounted cash flow valuation model with reference to the estimated cash flow based on the market interest rates of other comparable financial instruments with similar terms and risks and our Directors are required to determine comparable public companies (peers) based on industry, size, leverage and strategy. As at 31 December 2017, 2018 and 2019, our unlisted equity investments amounted to nil, RMB16.9 million and RMB14.8 million. For FY2017, FY2018 and FY2019, we recognised fair value losses of approximately RMB46,000, RMB3.5 million and RMB2.6 million, respectively, from financial assets at fair value through profit or loss.

The gain or loss from changes in fair value of our financial asset at fair value through profit or loss depends on factors including market conditions which are beyond our control, including but are not limited to the following:

- the issuer's financial condition, including profitability and cash flows;
- the issuer's specific and general competitive environment;
- published reports;
- general economic environment;
- future prospects of the issuer;
- changes in market interest rates;
- other company specific facts and circumstances.

Any of the above factors could cause our estimates to vary from actual results. We cannot assure you that we will not incur losses from changes in fair value of our financial assets at fair value through profit or loss in the future. Our profitability and results of operations would be materially and adversely affected as a result.

We share profits and losses with our joint ventures and associates, over which we have limited control.

Apart from Hangjiaxin, as at the Latest Practicable Date, we owned 50% equity interest in Jiaxing Gas and Refuelling Station Co., Ltd.* (嘉興市加油加氣站有限公司), which is classified as our joint venture. We also owned 39%, 20% and 34% equity interest in Pinghu Natural Gas Co., Ltd.* (平湖市天然氣有限公司), Jiaxing Jiatong New Energy Co., Ltd.* (嘉興市嘉通新能源股份有限公司) and Jiaxing LPG Co., Ltd.* (嘉興市管道液化氣有限責任公司), respectively, as at the Latest Practicable Date, which are classified as our associates. We share profits and losses with these joint ventures (including Hangjiaxin) and associates but we have no control or joint control over the financial and operating policy decisions of the investee (in the case of associate) while we have joint control over the investee when decisions about the relevant activities require the unanimous consent of the parties sharing control (in the case of joint venture). During the Track Record Period, we have recorded both share of profits and losses from these joint ventures and associates.

We recorded share of profits of joint ventures of RMB2.6 million in FY2017 and share of losses from them of RMB0.5 million and RMB3.1 million in FY2018 and FY2019, respectively. Our share of profits of associates amounted to RMB5.0 million, RMB9.0 million and RMB10.2 million in FY2017, FY2018 and FY2019, respectively. For the reasons for the fluctuations in the share of profits and losses with our joint ventures and associates, see the paragraph headed "Financial information – Review of historical results of operation" in this prospectus.

Since we have limited control over the operations and financial activities of these joint ventures and associates, they may, among others, take actions to pursue economic or business interests or goals inconsistent with or contrary to ours or have disputes with us as to the scope of their responsibilities and obligations. In addition, we cannot assure that they have been, or will be in compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our joint ventures and associates, which may have an adverse effect on our business, results of operations and financial condition.

If the performance of such joint ventures and associates deteriorates, the dividend we received may decrease or we may be required to make additional capital injection to fund for our share of the loss and hence reduce the funds available to our Group as working capital, capital expenditure, acquisitions, dividends and other general corporate purposes, which could have a material impact on our Group's cash flows, results of operations and financial position.

We are subject to liquidity risk associated with investments in joint ventures and associates.

As at 31 December 2017, 2018 and 2019, we had investments in associates and joint ventures of RMB119.8 million, RMB187.4 million and RMB173.1 million, respectively. Our recoverability of the investments in associates and joint ventures are subject to liquidity risk and depends on the dividend distributed by these invested companies. Our investments in associates and joint ventures are not as liquid as other investment products as there is no cash flow to us until dividends are received even if our associates and joint ventures reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investments in associates or joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associates and joint ventures. In addition, if there is no dividends declared from our associates or joint ventures, we will also be subject to liquidity risk and our financial condition or result of operations could be materially affected.

We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may have a material adverse effect on our ability to manage our business, and such undertakings may be unsuccessful.

Our strategy includes plans to grow both organically and through acquisitions, participation in joint ventures or other strategic alliances with companies in the PRC and overseas along the natural gas industry value chain. Joint ventures and strategic alliances may expose us to new operational, regulatory, market and geographic risks as well as risks associated with additional capital requirements. Acquisitions of companies or businesses and participation in joint ventures or other strategic alliances are subject to considerable risks, including:

- our inability to integrate new operations, personnel, products, services and technologies;
- unforeseen or hidden liabilities, including exposure to lawsuits associated with newly acquired companies;
- the diversion of resources from our existing businesses;
- disagreement with joint venture or strategic alliance partners;
- contravention of regulations governing cross-border investment;
- failure to comply with laws and regulations as well as industry or technical standards of the overseas markets into which we expand;
- our inability to generate sufficient revenues to offset the costs and expenses of acquisitions, strategic investment, joint venture formations or other strategic alliances; and
- potential loss of, or harm to employees or customer relationships.

Any of these events could disrupt our ability to manage our business, which in turn could have a material adverse effect on our financial condition and results of operations. Such risks could also result in our failure to derive the intended benefits of the acquisitions, strategic alliances and we may be unable to recover our investment in such initiatives.

We recorded net current liabilities during the Track Record Period and we cannot assure you that we will record net current assets in the future.

We recorded net current liabilities of RMB329.6 million, RMB333.0 million, and RMB275.8 million as at 31 December 2017, 2018 and 2019, respectively. Our current liabilities mainly consisted of bank borrowings, trade and bills payables, contract liabilities and other payables and accruals while our current assets mainly consisted of cash and cash equivalents, trade and bills receivables, prepayments, other receivables and other assets. See the paragraph headed "Financial Information – Liquidity and Capital Resources – Net current assets and liabilities" in this prospectus for detailed analysis on our net current liability position. If we fail to generate current assets to the extent that the aggregate amount of our current assets on any given day exceeds the aggregate current liabilities on the same day, we will record net current liabilities. There can be no assurance that we will be able to continue to improve our liquidity and record net current assets. If we continue to record net current liabilities, we may face a deficiency of working capital and may not be able to service short term debts when they become due. Any of these events could have a material adverse impact on our financial position and results of operations.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As at 31 December 2017, 2018 and 2019, our deferred tax assets amounted to approximately RMB151.9 million, RMB149.9 million and RMB150.7 million, respectively. Our deferred tax assets were primarily arisen from temporary difference from impairment of financial assets, contract liabilities and accruals and provisions. For details of the movements of our deferred tax assets during the Track Record Period, please see Note 19 to the Accountants' Report in Appendix I to this prospectus.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the losses can be utilized. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated at the relevant times together with the future tax planning strategies which involve a number of assumptions relating to our operations and require a significant level of judgment exercised by our Directors. As any change in such assumptions and judgement as well as the future operating results of the relevant subsidiaries would affect the carrying amounts of deferred tax assets to be recognised and the recoverability of the deferred tax assets recognised in our consolidated financial statements, we cannot guarantee the recoverability or predict the movement of our deferred tax assets. If we fail to recover our deferred tax assets, this may adversely affect our financial positions and results of the operation in the future.

Certain other income and gains were non-recurring in nature.

Certain of our other income and gains were non-recurring in nature, including (i) interest income from related parties of RMB3.0 million, RMB0.2 million and RMB90,000 for FY2017, FY2018 and FY2019, respectively; (ii) gain on disposal of items of property, plant and equipment of RMB1.1 million for FY2017, respectively. For details, please refer to the paragraph headed “Financial Information – Description Of Selected Items In Consolidated Statements of Profit or Loss – Other Income and Gains” in this prospectus. The non-recurring nature of such items has led to fluctuations in our results of operations from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

RISKS RELATING TO OUR INDUSTRY

There may be alternative energy sources other than natural gas.

The cost of natural gas in comparison with alternative fuel sources will affect the demand for our supply of PNG business. Coal gas, petroleum, LPG, LNG, electricity and hydrogen are the main substitutes for natural gas. We believe that end-users will consider factors such as cost, availability, reliability, convenience and safety when choosing the energy source to use. In the event that other forms of energy source become more attractive, our customers may shift to use such other forms of energy, which may materially and adversely affect our business, financial condition, operating results and prospects.

Any future changes in laws or regulations or enforcement policies could materially and adversely affect our business, operating results and financial condition.

The natural gas industry is subject to a broad range of laws and regulations in the PRC, such as the laws and regulations on environmental health and safety and foreign investment. Any change in existing laws and regulations relating to environmental health and safety in the PRC or their interpretation that may affect our business or operations could require us to incur additional compliance costs or costly and time-consuming changes to our operations, either of which could materially and adversely affect our business, operating results and financial condition. See “Regulatory Overview” in this prospectus for details of such laws and regulations.

We are unable to predict future changes in laws or regulations or enforcement policies that may affect our business or operations or to estimate the ultimate cost of compliance with such laws and regulations. The PRC natural gas industry is highly regulated and regulatory environment is subject to frequent changes. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.

We are subject to increasing capital expenditure for the maintenance of our operational facilities as they become aged.

We are generally responsible for the repair and maintenance of (i) urban pipeline network and gas facilities in our Operating Area, and (ii) part of the end-user pipeline network as specified in the PNG usage agreements with our customers, for our PNG sale operations. For FY2017, FY2018 and FY2019, we incurred approximately RMB12.9 million, RMB14.1 million and RMB13.4 million for the repair and maintenance of PNG pipelines and facilities. In order to ensure safe and stable supply of natural gas to our customers, we may need to maintain, repair or replace certain equipment or facilities if we find any malfunction or safety risks in them, which requires significant capital expenditure. We expect that our capital expenditure for the maintenance of our operational facilities will increase as the PNG pipelines and facilities become aged, which may put pressure on our cash flows, and our future results of operations and financial condition may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties with respect to the PRC legal system could materially and adversely affect our business.

Our business and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects may be affected by the economic, political and social conditions as well as government policies in the PRC. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy for more than three decades, a substantial part of the PRC economy is still being operated under various controls by the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are subject to refinement and improvement over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may materially and adversely impact our business, financial condition, results of operations and prospects.

In particular, the PRC natural gas industry is highly regulated. Many aspects of our business, such as the amount and setting of tariffs, depend upon the receipt of the relevant government authority's approval. As the PRC legal system develops, any change in such laws and regulations, or in their interpretation or enforcement, could materially and adversely affect our business, financial condition and operating results.

The PRC legal system is in the process of continuous development and has inherent uncertainties that could limit the legal protections available to us in respect of our operations and to our Shareholders.

The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since the late 1970s, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view to developing a comprehensive system of commercial law. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated laws and regulations.

The PRC is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces and may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present also no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, each court may refuse to make the documentation which it holds for on-going cases available for inspection. Accordingly, there is a risk that entities in the PRC acquired by us may be subject to proceedings which have not been disclosed.

The PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of a violation of these policies and rules until sometime after the violation. Failure to comply with applicable rules and regulations may result in fines, restrictions on our activities or, in extreme cases, suspension or revocation of our business licences. There may be uncertainties regarding the interpretation and application of new laws, rules and regulations.

The interpretation and enforcement of certain PRC laws which govern a portion of our operations involve uncertainties, which could limit the legal protections available to us. In particular, agreements which are governed under PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

Payment of dividends is subject to restrictions under PRC laws.

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

The PRC government's control over the conversion of foreign exchange and fluctuations in the value of RMB may affect our results of operations, financial condition and ability to pay dividends.

Our operations are primarily conducted in the PRC and all of our revenue is denominated in RMB. The value of RMB against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in the political and economic conditions in the PRC as well as internationally and the fiscal and foreign exchange policies prescribed by the PRC government. There is no assurance that the value of RMB will remain at the current level against the U.S. dollar or any other foreign currency. Should RMB appreciate or depreciate against the U.S. dollar or any other foreign currency, it will have mixed effects on our business and there is no assurance that the overall effect will be positive.

RMB is not currently a freely convertible currency. Conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Pursuant to the existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions (including dividend payment) without submitting the relevant documentary evidence of such transactions to the SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes may require the prior approval or registration with the SAFE. If we fail to obtain the SAFE's approval to convert RMB into foreign currencies for foreign exchange transactions or there are changes in the foreign exchange regulations or policies, our capital expenditure plans, business operations, results of operations, financial condition and our ability to pay dividends could be materially and adversely affected.

Dividends payable by us to our foreign investors and gains on the sale of our H Shares may be subject to withholding taxes under the PRC tax laws.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations. Non-PRC domestic resident individuals are required to pay PRC individual income tax under the Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法). Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the overseas residents reside reduce or provide an exemption for the relevant tax obligations. Generally, a Hong Kong-listed domestic non-foreign-invested enterprise may withhold individual income tax at the rate of 10% when distributing dividends to overseas resident individual shareholders. If an applicable tax treaty provides that the applicable tax rate is lower than 10%, a non-PRC resident individual shareholder may be entitled to claim a refund from the PRC tax authorities. If an applicable tax treaty provides that the tax rate is between 10% and 20%, it is possible that we may be required to pay the withholding tax at a tax rate under an applicable treaty. In the absence of any applicable tax treaty, non-PRC resident individual shareholders may be required to pay the withholding tax at the tax rate of 20%. There remains uncertainty as to whether gains realized by non-PRC domestic resident individuals on disposition of H Shares are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company pursuant to the EIT Law and other applicable PRC tax rules and regulations. The 10% tax rate is subject to reduction under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides. There is uncertainty as to whether gains realized upon the disposal of H shares by non-PRC domestic residents should be subject to PRC enterprise income tax.

There remains substantial uncertainty as to the interpretation and implementation of the EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities. China's tax laws, rules and regulations may also change. If there is any unfavourable change to applicable tax laws and the interpretation or application of such laws, the value of your investment in our H Shares may be materially affected.

It may be difficult to effect service of process, enforce foreign judgments and arbitral awards or bring original actions in the PRC against us or our Directors, Supervisors and senior management.

A substantial portion of our operations and assets and all of our Directors, Supervisors and senior management are located in the PRC. It may be difficult or impossible for investors to effect service of process on us or those persons in the PRC. Moreover, the PRC does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Final judgments for civil and commercial cases and arbitral awards obtained in a recognised Hong Kong court or Hong Kong arbitral tribunal may or may not be enforced in the PRC. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments and arbitral awards in the PRC.

An original action may be brought in the PRC against us or our Directors, Supervisors and senior management only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether investors will be able to bring an original action in the PRC in this manner.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR H SHARES

There is no existing public market for our H Shares and their liquidity and market price may fluctuate.

Prior to the Global Offering, there has not been a public market for our H Shares. We have applied for the listing of and dealing in our H Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our H Shares will develop following the Global Offering, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our H Shares may be caused by factors beyond our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our H Shares will not fluctuate.

The Offer Price Range for our H Shares was the result of, and the Offer Price will be the result of, negotiations among us and BOCOM International Securities (for itself and on behalf of the other Underwriters) and may not be indicative of prices that will prevail in the trading market after the Global Offering. Therefore, our Shareholders may not be able to sell their H Shares at prices equal to or greater than the price paid for their H Shares purchased in the Global Offering.

As the Offer Price is higher than the net tangible book value per H Share, our Shareholders will experience an immediate dilution in the book value of their H Shares purchased in the Global Offering and may experience further dilution if we issue additional H Shares in the future.

The Offer Price of our H Shares is higher than the net tangible assets value per H Share immediately prior to the Global Offering. Therefore, our Shareholders will experience an immediate dilution in pro forma net tangible assets value of HK$5.44 per H Share, based on the maximum Offer Price of HK$12.00.

In order to expand our business, we may consider offering and issuing additional H Shares in the future. Our Shareholders may experience further dilution in the net tangible assets book value per H Share if we issue additional H Shares at a price lower than the net tangible assets book value per H Share at the time of their issue.

Because there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall when the trading of our H Shares commences.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be about five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price or value of our H Shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the time of pricing and the time trading begins.

Our Major Shareholders may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.

Immediately following completion of the Global Offering (and assuming that the Over-allotment Option is not exercised at all), the Concert Parties, comprising Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華), will in aggregate control approximately 23.79% and City Development will hold approximately 24.57% of the total share capital of our Company. Accordingly, the Concert Parties will remain as our second largest Shareholder and City Development as our largest Shareholder after the completion of the Global Offering. For details, please refer to the paragraph headed "Relationship with Our Major Shareholders – Independence from our Major Shareholders" in this prospectus. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of the Group that would otherwise benefit our Shareholders. The interests of our Major Shareholders may not always align with our Company or your best interests. If the interests of our Major Shareholders conflict with the interests of our Company or our other Shareholders, or if our Major Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Future sales or issuances or perceived sales or issuances of our Shares or conversion of our Domestic Shares into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital.

The market price of our H Shares could decline as a result of future sales or issuances of a substantial number of our H Shares or other securities in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or issuances or perceived sales or issuances may also adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a favourable time and price.

The Shares issued by our Company prior to the Listing Date shall not be transferred within a period of one year from the date on which trading in our H Shares commences on the Stock Exchange. We cannot assure you that the current Shareholders will not dispose of any Shares they own now or may own in the future.

Our Domestic Shares can be converted into H Shares, provided that such conversion and the trading of H Shares so converted have been duly completed pursuant to our requisite internal approval process and the approval from the relevant PRC regulatory authorities. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council, as well as the regulations, requirements and procedures of the Stock Exchange. If a significant number of our Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing market price of our H Shares.

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends shall be formulated by our Board and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. See the paragraph headed "Financial Information – Dividend" in this prospectus for further details.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the Global Offering.

There has been, prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media, and/or research analyst coverage regarding us, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our H Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the H Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Joint Global Coordinators, the Joint Sponsors, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transaction(s), which would constitute continuing connected transactions subject to reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirements or non-exempted continuing connected transaction under Chapter 14A of the Listing Rules after the Listing. Details about such transactions together with the application for a waiver from strict compliance with the relevant announcement requirements and/or independent Shareholders' approval requirement under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this prospectus.

MANAGEMENT PRESENCE

Rules 8.12 and 19A.15 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our business operation is primarily located, managed and conducted in the PRC and substantially all of our Group's assets are based in the PRC. All of our executive Directors are ordinarily based in the PRC and our Group does not and, in the foreseeable future, will not have any management presence in Hong Kong.

In view of that, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from the strict compliance with Rule 8.12 and 19A.15 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two authorised representatives are Mr. Sun, an executive Director and chairman of the Board, and Ms. Sun Ah Tsang, one of the joint company secretaries of our Company. In addition, Mr. Xu Songqiang, an executive Director, is appointed as the alternate to Mr. Sun and Ms. Zhou Caihong, one of the joint company secretaries of our Company, is appointed as the alternate to Ms. Sun Ah Tsang. Each of the authorised representatives (including the alternative authorised representatives) has confirmed that he or she will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail (if applicable). Each of the two authorised representatives (including their respective alternatives) is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorised representatives (including the alternative authorised representatives) has means to contact all members of the Board promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. In order to further enhance the communication between the Stock Exchange, our authorised representatives (including the alternative authorised representatives) and our Directors, and our Company has implemented the policies that:

   (i) each Director has provided his/her office phone number, mobile phone number, fax number and e-mail address (if applicable) to the authorised representatives and his/her respective alternate; and

   (ii) in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives and his/her respective alternate (including the alternative authorised representatives);

(c) all our Directors have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet the Stock Exchange within a reasonable period of time when required;

(d) we have appointed BOCOM International (Asia) as our compliance adviser upon Listing pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will act as the alternate channel of communication with the Stock Exchange when our authorised representatives are not available. The compliance adviser will have access at all times to the authorised representatives (including the alternative authorised representative), the Directors and senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or request from the Stock Exchange in respect of our Company; and

(e) in addition, all Directors have provided their mobile phone numbers, office numbers, fax numbers and e-mail addresses (if applicable) to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable.

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

We have appointed Ms. Zhou Caihong ("**Ms. Zhou**") and Ms. Sun Ah Tsang ("**Ms. Sun**") of Tricor Services Limited as our joint company secretaries. For the background of Ms. Zhou, please refer to the paragraph headed "Directors, Supervisors, Senior Management and Employees – Senior Management" in this prospectus. Ms. Zhou has knowledge about our business operations and corporate culture. However, Ms. Zhou does not possess the specified qualifications strictly required by Rule 3.28 and 8.17 of the Listing Rules. As such, we have also appointed Ms. Sun as our joint company secretary. Ms. Sun has over 14 years of experience in corporate secretarial field and meets the requirements under Rule 3.28 of the Listing Rules. Ms. Sun will assist Ms. Zhou in discharging her duties as our company secretary for a three-year period from the Listing Date so as to enable her to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge her duties. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the condition that Ms. Sun is appointed as our joint company secretary. The waiver is valid for an initial period of three years from the Listing Date and will be revoked immediately when Ms. Sun ceases to be our joint company secretary. We will also implement procedures to provide Ms. Zhou with appropriate training in order to enable her to acquire such necessary experience.

Before the expiry of such three-year period, we will assess the then experience of Ms. Zhou in order to determine whether Ms. Zhou has acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary. Further information on the qualifications and experience of Ms. Zhou and Ms. Sun is disclosed in the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

APPROVAL OF THE CSRC

The CSRC has given its approval for the Global Offering and the making of the application to list our H Shares on the Stock Exchange on 7 January 2020. In granting such approval, the CSRC accepts no responsibility for the financial soundness of our Company, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

THIS HONG KONG PUBLIC OFFER AND THE PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer. See the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and the Application Forms for details of the procedures for applying for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our H Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING

See the section headed "Structure and Conditions of the Global Offering" in this prospectus for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between BOCOM International Securities (for itself and on behalf of the other Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See the section headed "Underwriting" in this prospectus for details of the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of and permission to deal in the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, 16 July 2020.

Save as disclosed in the section headed "Share capital" in this prospectus, no part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our H Shares on the Stock Exchange and we complying with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for the H Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

H SHARE REGISTER AND STAMP DUTY

All H Shares issued by us pursuant to applications made in the Hong Kong Public Offer will be registered on our H Share register to be maintained by our H Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered on our H Share register in Hong Kong will be subject to Hong Kong stamp duty. See Appendix III to this prospectus for further details.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the H Shares. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the H Shares.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us, for ourselves and for the benefit of each Shareholder, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations, and the Articles of Association;

(ii) agrees with us, for ourselves and for the benefit of each Shareholder and each of our Directors, Supervisors, managers and other senior officers, and we, acting for ourselves and on behalf of each Shareholder and each of our Directors, Supervisors, managers and senior officers, agree with each Shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and that the arbitration tribunal may conduct hearings in open sessions and to publish its award, which shall be final and conclusive. See Appendix VI to this prospectus for further details;

(iii) agrees with us, for ourselves and for the benefit of each Shareholder that the H Shares are freely transferable by their holders; and

(iv) authorises us to enter into a contract on his behalf with each of our Directors and officers whereby each such Director and officer undertakes to observe and comply with his obligations to our Shareholders as stipulated in the Articles of Association.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

Executive Directors

Name	Residential Address	Nationality
Mr. Sun Lianqing (孫連清)	Room 3, Building E9 Paris City Versailles Jiaxing Zhejiang Province The PRC	Chinese
Mr. Xu Songqiang (徐松強)	Room 206, Building A20 Dahua City Garden Nanhu District Jiaxing Zhejiang Province The PRC	Chinese

Non-executive Directors

Name	Residential Address	Nationality
Mr. He Yujian (何宇健)	Room 203, Building 4 Haiyi Jiayuan Nanhu District Jiaxing Zhejiang Province The PRC	Chinese
Mr. Zheng Huanli (鄭歡利)	Room 1005, Building 4 Zhongshan Mingdu Nanhu District Jiaxing Zhejiang Province The PRC	Chinese
Mr. Fu Songquan (傅松權)	No. 278 Yucun Diankou Town Zhuji City Shaoxing Zhejiang Province The PRC	Chinese

Independent non-executive Directors

Name	Residential Address	Nationality
Mr. Xu Linde (徐林德)	Room 2001, Building 9 Lanjiangyuan Tulip Bank Garden Wenyan Street Xiaoshan District Hangzhou City The PRC	Chinese
Mr. Yu Youda (于友達)	Room 302, Unit 2 Building 12 Liuheyuan Shangcheng District Hangzhou City The PRC	Chinese
Mr. Cheng Hok Kai Frederick (鄭學啟)	Flat C, 12th Floor 10 Lai Wan Road Mei Foo Sun Chuen Kowloon Hong Kong	British

SUPERVISORS

Name	Residential Address	Nationality
Ms. Liu Wen (劉雯)	Room 302, Building 2 Tianxing Lake Apartment Nanhu District Jiaxing, Zhejiang Province The PRC	Chinese
Ms. Xu Shuping (徐殳萍)	Jinxing Community Phase II Jinxing Administration Village Yuxin Town Nanhu District Jiaxing, Zhejiang Province The PRC	Chinese
Mr. Wang Dongzhi (王冬至)	Room 202, Unit 4 Building 13 Zijinhuafu Xinyuan Road Guangyang District Langfang City, Hebei Province The PRC	Chinese

For further details of the Directors, Supervisors and other senior management members, see the section headed “Directors, Supervisors, Senior Management and Employees” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors (in alphabetical order)	**BOCOM International (Asia) Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	LY Capital Limited Rooms 1901-02 China Insurance Group Building 141 Des Voeux Road Central Central, Hong Kong
Joint Global Coordinators (in alphabetical order)	**BOCOM International Securities Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
Joint Bookrunners (in alphabetical order)	**BOCOM International Securities Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	CEB International Capital Corporation Limited 22/F, AIA Central 1 Connaught Road Central Central Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Elstone Securities Limited
Suite 1601-04, 16/F., West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F., One Exchange Square
Central
Hong Kong

Fosun Hani Securities Limited
Suite 2101-2105, 21/F, Champion Tower
3 Garden Road
Central
Hong Kong

Guosen Securities (HK) Capital Company Limited
Suites 3207-3212 on Level 32
One Pacific Place
88 Queensway
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Maxa Capital Limited
Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

Yue Xiu Securities Company Limited
Room 1003-1005, Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

Joint Lead Managers (in alphabetical order)

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CEB International Capital Corporation Limited
22/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

China Industrial Securities International Capital Limited
7/F, Three Exchange Square,
8 Connaught Place, Central, Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Elstone Securities Limited
Suite 1601-04, 16/F., West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F., One Exchange Square
Central
Hong Kong

Fosun Hani Securities Limited
Suite 2101-2105, 21/F, Champion Tower
3 Garden Road
Central
Hong Kong

Guosen Securities (HK) Capital Company Limited
Suites 3207-3212 on Level 32
One Pacific Place
88 Queensway
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Maxa Capital Limited
Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

	Yue Xiu Securities Company Limited Room 1003-1005, Siu On Centre 188 Lockhart Road Wan Chai Hong Kong
Legal Advisers to the Company	*As to Hong Kong law* **Chiu & Partners** 40/F, Jardine House 1 Connaught Place Central, Hong Kong *As to PRC law* **Jia Yuan Law Offices** F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing 100031 China
Legal Advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong law* **Deacons** 5th Floor, Alexandra House 18 Chater Road Central Hong Kong *As to PRC law* **Jingtian & Gongcheng** 45/F K.Wah Centre 1010 Huaihai Road (M) XuHui District Shanghai China
Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, 200232, China
Property Valuer	**Cushman & Wakefield Limited** 16/F, Jardine House 1 Connaught Place Central Hong Kong
Receiving Bank	**Bank of Communications Co., Ltd. Hong Kong Branch** Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Room 01 & 18/F, Wheelock House 20 Pedder Street Central Hong Kong

Registered office and headquarters	5th Floor, Building 3 Hualong Plaza Economic and Technological Development Zone Jiaxing Zhejiang Province PRC
Principal place of business in Hong Kong under Part 16 of the Company Ordinance	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's website	**http://www.jxrqgs.com/** *(information contained in this website does not form part of this prospectus)*
Joint company secretaries	**Ms. Zhou Caihong (周彩紅)** 5th Floor, Building 3 Hualong Plaza Economic and Technological Development Zone Jiaxing Zhejiang Province PRC
	Ms. Sun Ah Tsang (孫亞錚) *(ACS, ACIS)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	**Mr. Sun Lianqing (孫連清)** 5th Floor, Building 3 Hualong Plaza Economic and Technological Development Zone Jiaxing Zhejiang Province PRC
	Ms. Sun Ah Tsang (孫亞錚) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

Compliance adviser	**BOCOM International (Asia) Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Audit committee	Mr. Cheng Hok Kai Frederick (鄭學啟) (*Chairman*) Mr. Yu Youda (于友達) Mr. Xu Linde (徐林德)
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The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, except for Frost & Sullivan, and no representation is given as to its accuracy or completeness of such information. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China. Accordingly, you should not rely on such information in making, or refraining from marking, any investment decision.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the natural gas industry in China, Zhejiang Province and Jiaxing. The report prepared by Frost & Sullivan for us is referred to in the prospectus as the F&S Report. A total fee of RMB438,000 was paid to Frost & Sullivan for the preparation of the report, which we believe reflects market rates for reports of this type.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Our Directors confirm that, after making reasonable investigation, there has been no material adverse change in the market information since the date of the F&S Report and up to the Latest Practicable Date, which may qualify, contradict or have an impact in any material respect on the information in this section.

RESEARCH METHODOLOGY

The F&S Report was prepared through both primary and secondary research obtained from various sources using intelligence collection methodologies. Primary research involved discussing the status of the industry with certain leading industry participants across the industry value chain and conducting interviews with relevant parties to obtain objective and factual data and prospective predictions. Secondary research involved information integration of data and publication from publicly available sources, including official data and announcements from government agencies, company reports, independent research reports and data based on Frost & Sullivan's own data base.

Basis and assumptions

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environment in China, Zhejiang Province and Jiaxing are likely to remain stable in the forecast period; and (ii) industry key drivers are likely to drive the growth of the natural gas industry in China, Zhejiang Province and Jiaxing in the forecast period.

ZHEJIANG PROVINCE AND JIAXING MACRO ECONOMIC OVERVIEW

During the last few years, Zhejiang Province's economy has increased at a CAGR of 9.2% from 2014 to 2019, in step with the economic growth of China. In 2014, the nominal GDP of Zhejiang Province was RMB4,017.3 billion, which increased rapidly to RMB6,235.2 billion in 2019. The outbreak of COVID-19 has caused suspension of business operations for certain enterprises in February 2020 and inconvenience to the resumption of normal business operations for enterprises since March 2020 caused by containment measures of COVID-19. Looking forward, the economy of Zhejiang Province is expected to maintain a growth and reach RMB9,085.2 billion by 2024, illustrating a CAGR of 8.0% from 2020 to 2024. The economy of Jiaxing has increased at a CAGR of 9.9% from 2014 to 2019, which is faster than the economic growth of the Zhejiang Province. The nominal GDP of Jiaxing increased from RMB335.3 billion in 2014 to RMB537.0 billion in 2019. Owing to a great deal to the economic integration in the Yangtze River Delta, Jiaxing saw a remarkable progress on economic development which chiefly reflects in absorbing foreign capital, recruiting talented people and optimising the industrial structure. Also, the recent years found the huge lift in Jiaxing's industries with the flourish of new material, transportation and electronics. With the economic integrations in the Yangtze River Delta becoming the strategic policy, more opportunities and benefits are on the way to embrace Jiaxing. In the future, the economy of Jiaxing will continue its upward tendency at a CAGR of 8.8% from 2020 to 2024. Due to the deep reformation of economic structure and steadiness of industries and markets, the nominal GDP of Jiaxing is forecasted to be RMB585.4 billion in 2020 and will reach RMB819.6 billion by 2024.

With the increasing people's consumption level and the fast development of economy, the total energy consumption volume in Zhejiang Province reached 223.2 million tonnes of standard coal in 2019, representing a CAGR of 3.5% from 2014 to 2019. According to the "Zhejiang Province 13th Five-Year Plan for Energy Development" (《浙江省能源發展"十三五"規劃》), the total energy consumption volume will be controlled under 220 million tonnes of standard coal in 2020. Hence, the total energy consumption in Zhejiang Province is expected to reach 255.5 million tonnes of standard coal by 2024 at a CAGR of 2.8% from 2020. With the development of economy in Jiaxing, the total energy consumption volume of industrial enterprises above designated increased steadily from 13.4 million tonnes of standard coal in 2014 to 15.4 million tonnes of standard coal in 2019 at a CAGR of 2.9%. In order to control the total energy consumption volume and energy consumption intensity, Jiaxing municipal government issued "Three-year Double Control Plan for Energy" (《能源"雙控"三年攻堅計劃(2018-2020)》) in 2018. In the future, total energy consumption volume of industrial enterprises above designated of Jiaxing is expected to increase from 15.7 million tonnes of standard coal in 2020 to 17.4 million tonnes of standard coal in 2024, illustrating a CAGR of 2.6%.

CHINA, ZHEJIANG PROVINCE AND JIAXING NATURAL GAS INDUSTRY OVERVIEW

Overview of China and Zhejiang Province Current Energy Structure

Although the percentage of coal in the total energy consumption decreased in the past few years, it still represents China's largest energy consumption for approximately 57.7% in 2019. However, such energy structure has induced heavy carbon dioxide emissions and is highly unsustainable in the future. Entering a new era of low carbon economy, China is determined to optimise its fuel consumption structure to be more environmental-friendly by reducing coal consumption. In 2019, China's natural gas consumption volume ranked the third in the world. China has greatly elevated its consumption on natural gas which changed from 5.7% in 2014 to 9.0% of the total energy consumption in 2019. With supporting government policies such as the "Strategic Action Plan for Energy Development" (《能源發展戰略行動計劃(2014-2020)》) and the "13th Five-Year Plan for Energy Development" (《能源發展"十三五"規劃(2016-2020)》), the consumption of natural gas out of total energy consumption is expected to reach 13.2% in 2024. For Zhejiang Province, multiple government policies have been introduced to support natural gas infrastructure as well. The "Zhejiang Province Three-Year Action Plan for Natural Gas Development" (《浙江省天然氣發展三年行動計劃(2018-2020年)》) stated that provincial-level pipeline will build up to 2,660 km and the natural gas storage capacity will reach 70 million m^3 by 2020. The natural gas consumption out of total energy consumption in Zhejiang Province is forecasted to reach 12.1% in 2024 from 10.1% in 2020.

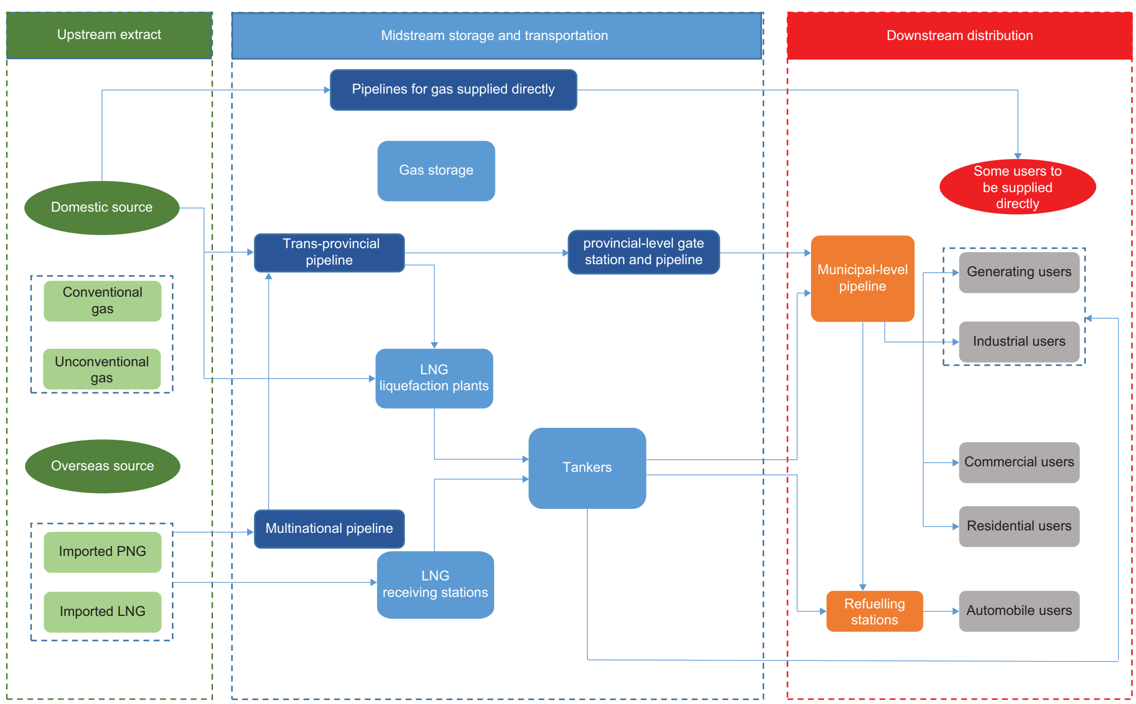
Natural Gas

Natural gas is a type of flammable gas that occurs deep beneath the earth's surface, consisting mainly of methane with minor amounts of ethane, propane, butane, nitrogen, etc. Natural gas is also a clean fossil fuel that has less carbon dioxide emission than coal and oil. Liquefied natural gas (LNG) is a type of natural gas that has been converted into liquid form though cooling. Downstream application areas for the natural gas industry include industrial, commercial and residential. These sectors had increasing demands for natural gas, transforming China's fuel consumption structure rapidly. For China, the total consumption volume of natural gas was 186.9 billion m^3 in 2014 and 306.7 billion m^3 in 2019, representing a CAGR of 10.4%. In the meantime, Zhejiang Province's natural gas consumption volume changed from 7.8 billion m^3 in 2014 to 14.8 billion m^3 in 2019, demonstrating a CAGR of 13.7%.

Value Chain Analysis

The value chain of the natural gas industry mainly consists of four segments namely source, transportation, distribution and consumption. Natural gas sources come from major domestic gas-producing regions and international importation. The natural gas is then transported via large-diameter, high-pressure steel transmission pipelines, which carry natural gas to large industrial customers and local distribution networks. For distribution purposes, the natural gas is transported to provincial natural gas enterprises, then to local natural gas enterprises through city gates. Local natural gas enterprises reduce the pressure of the gas, add odorant to aid in leak detection, and then deliver the natural gas via smaller, low-pressure lines to end users such as industrial, commercial, residential and others.

The chart below illustrates the value chain of natural gas industry:



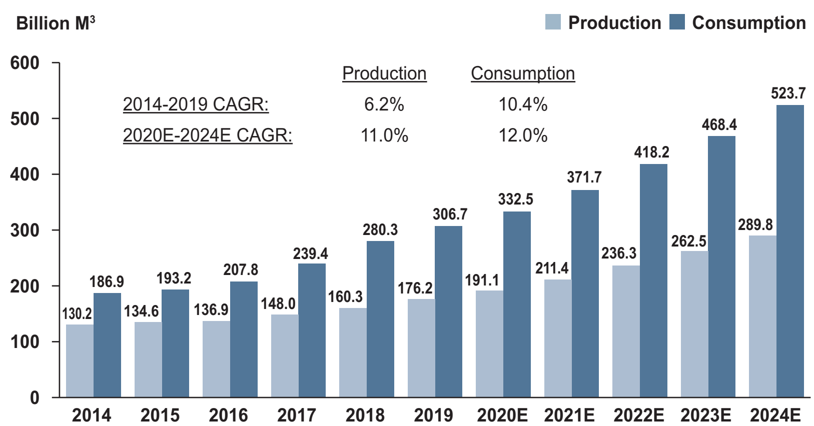
Source: F&S Report

Production and Consumption Volume of Natural Gas in China

In response to the energy structure reform, China's production and consumption volume of natural gas kept growing in the past few years. Due to the energy consumption structure in China's urbanisation process, as well as the background of increasingly strict environmental regulations, the demand for natural gas to replace coal is increasing. The production and consumption volumes of natural gas have increased from 130.2 billion m^3 and 186.9 billion m^3, respectively, in 2014 to 176.2 billion m^3 and 306.7 billion m^3, respectively, in 2019, representing CAGRs of 6.2% and 10.4%, respectively.

According to the "13th Five-Year Plan for Energy Development" (《能源發展"十三五"規劃(2016-2020)》), the capacity of energy supply will increase continuously and the quality of energy will be gradually enhanced. It is estimated that the production volume of natural gas would reach approximately 289.8 billion m^3 in 2024 due to the increasing investment in natural gas exploration, representing a CAGR of 11.0% from 2020. The consumption volume of natural gas is forecasted to reach 523.7 billion m^3 in 2024, at a CAGR of 12.0% since 2020.

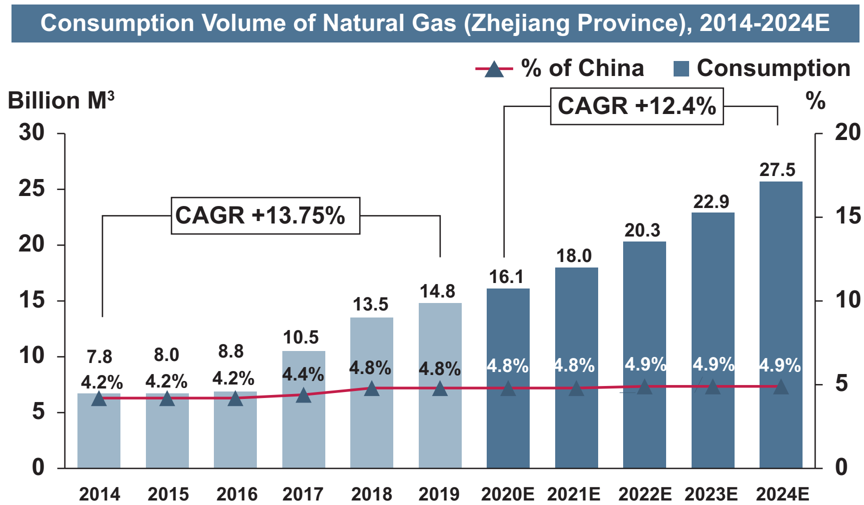
Production and Consumption Volume of Natural Gas (China), 2014-2024E



Source: F&S Report

Consumption Volume of Natural Gas in Zhejiang Province

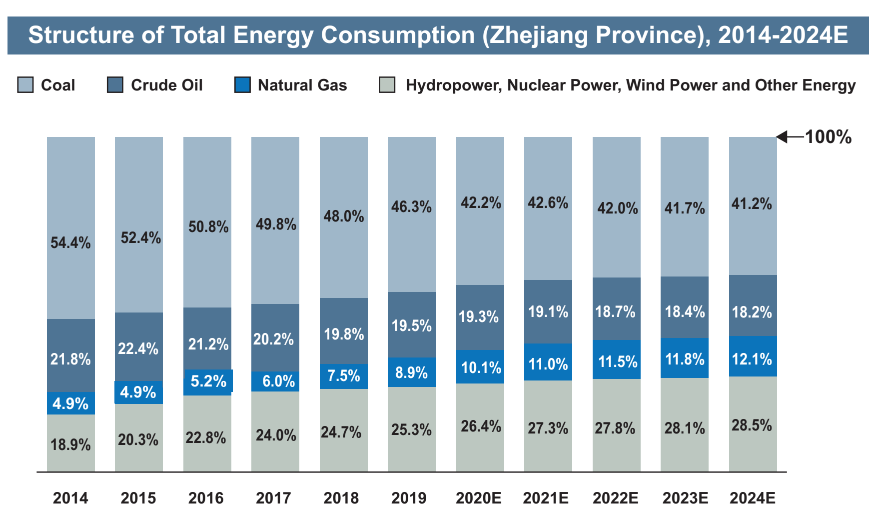
Influenced by the continuous promotion of coal-to-gas and the extensive utilisation of natural gas, the consumption volume of natural gas in Zhejiang Province witnessed a steady increase at a CAGR of 13.7% from 7.8 billion m^3 in 2014 to 14.8 billion m^3 in 2019. According to the "Zhejiang Province 13th Five-Year Plan for Greenhouse Gas Emission Control" (《浙江省"十三五"控制溫室氣體排放實施方案》), the natural gas would account for about 10% of total energy consumption by 2020 (approximately 8.9% in 2019). Going forward, the consumption volume of natural gas is expected to increase from 16.1 billion m^3 in 2020 to 25.7 billion m^3 in 2024, demonstrating a CAGR of 12.4%. The proportion of Zhejiang Province natural gas consumption in China is expected to grow from 4.8% in 2020 to approximately 4.9% in 2024.



Source: F&S Report

Energy Consumption Structure Analysis for Zhejiang Province

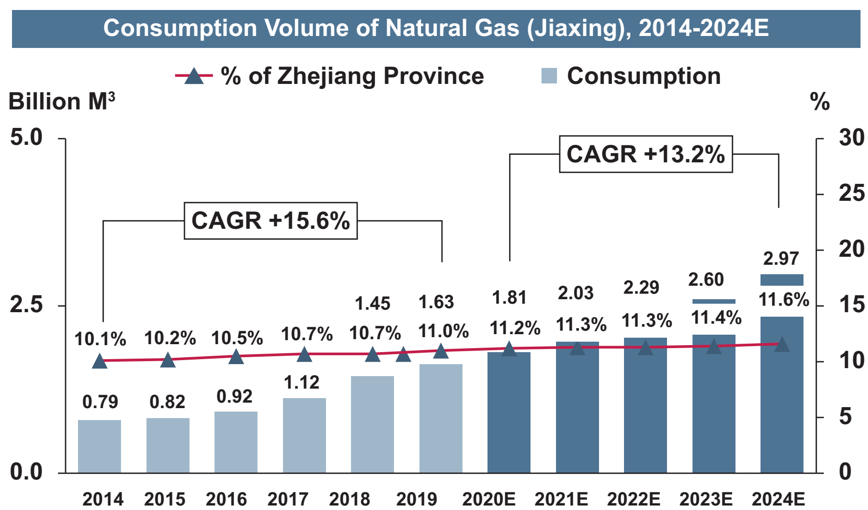
The consumption of fossil energy made up for 74.7% of total energy consumption in 2019, with coal accounting for 46.3%. According to the "Zhejiang Province 13th Five-Year Plan for Energy Development" (《浙江省能源發展"十三五"規劃》) and "Zhejiang Province 13th Five-Year Plan Energy Saving and Emission Reduction Comprehensive Work Plan" (《浙江省"十三五"節能減排綜合工作方案》), by 2020, the consumption of coal is expected to be 42.8% and the consumption of natural gas is expected to be around 10.0%. With the increasing development of natural gas from 4.9% in 2014 to 8.9% in 2019 and the percentage of coal used declining correspondingly from 54.4% in 2014 to 46.3% in 2019, natural gas is expected to have a larger consumption volume in the future with 12.1% of the total energy consumption, and the percentage of coal used is expected to decrease to 41.2% in 2024.



Source: F&S Report

Consumption Volume of Natural Gas in Jiaxing

Influenced by the expanding utilization of natural gas, the consumption volume of natural gas in Jiaxing experienced a steady increase at a CAGR of 15.6% from 0.79 billion m^3 in 2014 to 1.63 billion m^3 in 2019. In 2018, Jiaxing Municipal Government issued "Three-year Double Control Plan for Energy" (《能源"雙控"三年攻堅計劃(2018-2020)》), in which the government aimed to expand the proportion of natural gas consumption in terminal consumption areas such as industrial, agricultural, residential and transportation use. Going forward, the consumption volume of natural gas is expected to increase from 1.81 billion m^3 in 2020 to 2.97 billion m^3 in 2024, demonstrating a CAGR of 13.2% which is higher than the growth rate in Zhejiang Province. The proportion of Jiaxing natural gas consumption in Zhejiang Province is expected to grow from 11.2% in 2020 to approximately 11.6% in 2024, according to Frost & Sullivan. The accessibility of natural gas refers to the total household users of natural gas over total number of households which was approximately 42% in Jiaxing in 2019.



Note: The consumption volume of natural gas in Jiaxing disclosed in the Industry Overview section represents PNG consumption volume in Jiaxing. The consumption volume of 2018 was 1.45 billion cubic meters, of which less than 1% came from LNG emergency reserve.

Source: F&S Report

Consumption Volume of LPG in Jiaxing

The LPG consumption in Jiaxing increased from 26,256 tonnes in 2014 to 40,216 tonnes in 2019, representing a CAGR of 8.9%.

Entry Barriers

(i) Capital barrier

Since large capital investments are necessary to establish operation such as pipeline infrastructure layout and formation, and gas fuel plants maintenance and processing, the natural gas industry is relatively capital intensive. Hence, new market entrants of natural gas industry need to devote a large upfront investment which requires strong financial strength. Moreover, it takes a relatively long period of time for market participants to recover their investment, so new entrants need more time to establish their networks covering procurement, storage and transportation;

(ii) Qualification barrier

The natural gas industry sets a high qualification requirement for new entrants. According to the "Regulations on the Administration of Town Gas" (《城鎮燃氣管理條例》), companies operating in gas fuel business activities should possess gas fuel source and gas fuel facilities that conform to national standards and establish comprehensive safety management systems. The natural gas industry is highly regulated and new entrants are expected to encounter interactions with multiple public authorities for project approval, pipeline network layout, location selection for gas fuel stations, etc. It can be difficult for new entrants to acquire construction or operation permits due to the lack of proven track record, management experience and technical expertise. Concession agreements need to be granted to natural gas distributors in order for them to operate in certain areas. Therefore, government regulations, qualification requirements and concession agreements pose a high entry barrier for potential market players; and

(iii) Source supply barrier

To ensure a stable and sufficient supply of natural gas, companies have to establish procurement channels and maintain good business relationship with upstream natural gas suppliers. For new entrants, it takes a relatively long period of time for them to establish and maintain a solid and long-term relationship with upstream suppliers to ensure stable and reliable natural gas supply for the operation and future development plan. Due to the lack of business reputation and industry experience, it can be difficult for new entrants to build up solid business relationship. With the lack of natural gas supply, new entrants are not able to gain competitiveness which can be a potential entry barrier for them.

Market Drivers

(i) Increasing downstream market demand

According to the "13th Five-Year Plan for Natural Gas Development" (《天然氣發展"十三五"規劃》), China has been committed to increasing its natural gas consumption to over 10% of the total primary energy consumption in 2020. Multiple government policies have aimed to reduce coal consumption, hence the current replacement of coal consumption will create huge market potential for natural gas companies. In addition, the utilisation of natural gas in different downstream sectors is expected to increase as well. With the increasing total industrial added value in China from RMB23.3 trillion in 2 014 to RMB31.7 trillion in 2019, the industrial sector is expected to witness an upward demand for natural gas. Other sectors such as commercial and residential are also expected to increase in the future years due to energy consumption structural shifts and growing downstream market demand. In 2019, China and Zhejiang Province both experienced an increase in natural gas consumption, reaching 306.7 billion m^3 and 14.8 billion m^3, respectively. At the forecasted CAGRs of 12.0% and 12.4% from 2020 to 2024 in China and Zhejiang Province, respectively, the consumption volumes of natural gas in China and Zhejiang Province are expected to reach 523.7 billion m^3 and 25.7 billion m^3 in 2024, respectively;

(ii) Rising accessibility of natural gas

The development of natural gas infrastructure allows more enterprises and residents to gain access to natural gas. According to the "Medium and Long-term Oil and Gas Pipeline Network Planning" (《中長期油氣管網規劃》) released by the NDRC and National Energy Board of the PRC in 2017, the total length of natural gas pipelines in China is aimed to reach 104,000 km by 2020 and 163,000 km by 2025. With the increasing formation of national natural gas pipeline network and the growing density of regional pipeline network, the user population of urban natural gas will also grow on a large scale and reach 550 million by 2025. Moreover, the "Zhejiang Province Three-Year Action Plan for Natural Gas Development" (《浙江省天然氣發展三年行動計劃(2018-2020年)》) stated that the pipeline of Zhejiang Province will build up to 2,660 km and the natural gas storage capacity will reach 70 million m^3 by 2020. It planned to promote the extension of natural gas and carry out pilot demonstrations in towns and rural areas. The "Zhejiang Province Natural Gas Pipeline Network Special Plan" (《浙江省天然氣管網專項規劃》) proposed that every county would have access to natural gas through integrated natural gas pipeline network in the whole province by 2020. Going forward, the length of urban natural gas pipelines in Zhejiang Province is expected to increase from 52,800 km in 2020 to 75,200 km in 2024 at a CAGR of 9.2%. Infrastructure construction can accelerate the deployment of natural gas supply networks in areas where natural gas utilisation is relatively weak, thus promoting downstream applications and expanding the usage of natural gas; and

(iii) Supporting government policy

Policies that promote the development of natural gas infrastructure, such as pipeline construction, continue to attract enterprises and residents to gain access to natural gas. Apart from the "Medium and Long-term Oil and Gas Pipeline Network Planning" (《中長期油氣管網規劃》) mentioned above, for Zhejiang Province, the "Zhejiang Province 13th Five-Year Plan for Energy Development"(《浙江省能源發展"十三五"規劃》) aimed to promote direct supply of LNG in uncovered areas of natural gas pipeline networks, expand natural gas households, and reach more than 70% of urban residents' natural gas coverage by 2020.

In addition, the adjustment plan of energy structure is a key driver for the development of natural gas industry. In 2016, the "13th Five-Year Plan for Energy Development" (《能源發展"十三五"規劃(2016-2020)》) aimed to accelerate the implementation of coal-to-gas and stipulated that the share of natural gas in energy consumption should reach 10% by 2020. Meanwhile, along with the national policy, the "Zhejiang Province 13th Five-Year Plan for Greenhouse Gas Emission Control" (《浙江省"十三五"控制溫室氣體排放實施方案》) indicated that the natural gas would account for about 10% of total energy consumption by 2020. Also, Zhejiang Province and Jiaxing have taken some actions to reduce and eliminate the use of coal-fired boilers to support the coal-to-gas progress. As indicated in the "Notice of Zhejiang Provincial People's Government Office on Further Strengthening the Elimination and Renovation Of Coal-fired (Heavy Oil) Boilers and Kilns" (《浙江省人民政府辦公廳關於進一步加大力度推進燃煤(重油)鍋(窯)爐淘汰改造工作的通知》) announced in 2015, the government encourages enterprises to phase out and renovate coal-fired (heavy oil) boilers and kilns ahead of schedule, and provide differentiated subsidies based on the time it takes, and aims to phase out and transform all coal-burning (heavy oil) boilers and kilns in no-burning areas (except for central heating) in cities above the county level in Zhejiang Province by the end of 2017. The Jiaxing Government also promulgated "Implementation Plan for Air Pollution Control in Jiaxing (2014-2017)" (《嘉興市大氣污染防治實施方案 (2014-2017年)》) to accelerate the elimination and renovation of coal-fired boilers for the purpose of environmental protection.

Moreover, the government is encouraging natural gas suppliers to build their local storage stations to support the gas peak adjustment and emergency system in order to ensure the long-time stable gas supply. According to the Advice on Accelerating the Construction of Gas Storage Facilities and Improving the Market Mechanism of Gas Storage and Peak Adjustment Auxiliary Services (《關於加快儲氣設施建設和完善儲氣調峰輔助服務市場機制的意見》發改能源規[2018]637號) announced in 2018, city gas enterprises are encouraged to establish natural gas reserves and have the capacity of storing natural gas of not less than 5% of their annual consumption volume by 2020, so as to ensure sufficient additional gas supply when peak adjustment is needed or emergencies occur. These favourable government policies continue to drive the development of natural gas industry.

Developing Challenges

(i) Fluctuating natural gas resources

Due to environmental concerns, the Chinese government encouraged enterprises to use gas fuels such as natural gas which created a continuously growing demand for the natural gas industry. The majority of natural gas resources are controlled by large state-owned enterprises that own the bargaining power in the pricing of natural gas. Hence, natural gas distributors with smaller scale of business are more vulnerable due to its inability to pass on increased purchasing price and the possibility of being driven out of business by more sizable natural gas enterprises. In addition, natural gas distributors also rely heavily on the import from the international market and this ratio is expected to increase in the foreseeable future. Since the fluctuation of international crude oil price will influence the price of natural gas to some extent, the fluctuation of oil prices may bring heavy burdens to the prices of natural gas which could squeeze the margins of market participants in the industry;

(ii) Development of substitutes

In the past few years, China's total energy consumption volume changed from 4,258.1 million tonnes of standard coal in 2014 to 4,860.0 million tonnes of standard coal in 2019, illustrating a CAGR of 2.7%. Going forward, the "13th Five-Year Plan for Energy Development" (《能源發展"十三五"規劃(2016-2020)》) indicated that the total energy consumption volume will be controlled under 5.0 billion tonnes of standard coal in 2020. With the growing economic development, the demand for energy resources will rise and the total energy consumption volume is expected to reach 5,504.0 million tonnes of standard coal by 2024 at a CAGR of 2.6% from 2020. China is now facing the pressure on energy supply and environmental degradation. In order to protect China's energy security and alleviate the pressure of natural gas supply, the development of shale gas and substitute energy is an ideal way and has important strategic significance in the national energy layout. Therefore, the development of substitute energy can pose a challenge to the natural gas industry.

Market Trends

(i) Increasing awareness of environmental protection

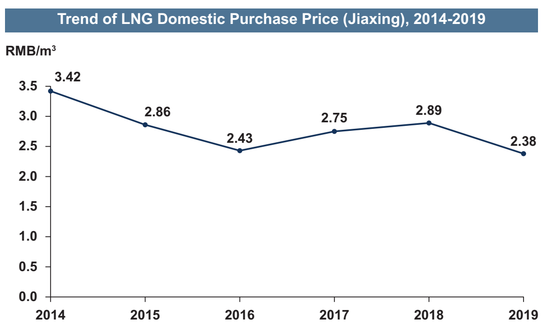
The concern for the environment is a major reason for China's rising demands of natural gas. Severe air pollution has driven the country to shift coal to gas, and several government actions have promoted the reduction of coal used. In 2014, the "Strategic Action Plan for Energy Development" (《能源發展戰略行動計劃(2014-2020)》) established targets for energy supply and demand, and its principal objective was to reduce coal consumption and encourage users to switch to other fuel such as natural gas. The plan aimed to reduce total primary energy consumption to 4.8 billion tonnes of standard coal in 2020 by increasing energy efficiency. Also, the plan called for a reduction of coal consumption to 4.2 billion tonnes in 2020 and a shrinking of its share of total primary energy consumption. Natural gas was positioned as an important solution for environment protection, hence the increasing need for environmental protection will continue to prompt the natural gas industry in the future;

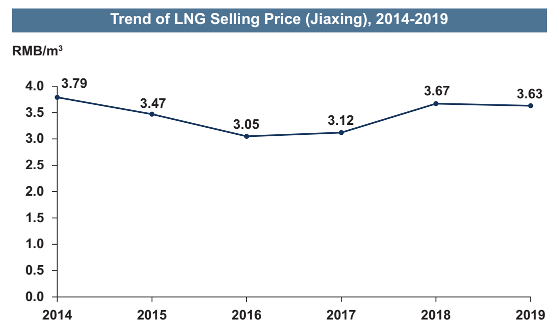
(ii) More extensive collaboration with overseas suppliers

By cooperating with diversified gas fuel suppliers both domestically and internationally, natural gas enterprises can promote market stability by filling supply and demand gap. In the past few years, the total import volume of natural gas in China increased rapidly from 59.7 billion m^3 in 2014 to 134.3 billion m^3 in 2019. China has established natural gas cooperation with nations in northwest (Central Asia gas pipeline), southwest (China-Myanmar oil and gas pipeline) and northeast (China-Russia natural gas pipeline). International cooperation could not only compensate the insufficient natural gas fuel supply but also lower the price by directly trading with upstream suppliers which would reduce the intermediate process in the transaction. In addition, the total LNG import volume of China increased significantly from 19.9 million tonnes in 2014 to 60.6 million tonnes in 2019. For Zhejiang Province, it enjoys the favourable location and convenient transportation which will enhance its collaboration with overseas suppliers. The convenient location of coastal region allows Zhejiang and its cities such as Jiaxing to establish solid business relationships with LNG suppliers and further facilitate more LNG import activities. With the integration of the Yangtze River Delta, Zhejiang Province and its cities such as Jiaxing will experience a rapid growth in the natural gas industry.

Price Analysis

During the period from 2014 to 2019, the domestic purchase price of LNG in Jiaxing decreased from RMB3.42/m^3 in 2014 to RMB2.43/m^3 in 2016 and witnessed an increase in 2017. The figure then reached RMB2.89/m^3 in 2018 and decreased to RMB2.38/m^3 in 2019. The domestic purchase price of LNG is affected by various factors such as price trend of crude oil, production cost of gas suppliers or manufacturers, gas transportation costs and level of government intervention. Accordingly, the selling price of LNG also fluctuated during 2014 to 2019. The LNG selling price in Jiaxing decreased from RMB3.79/m^3 in 2014 to RMB3.63/m^3 in 2019.

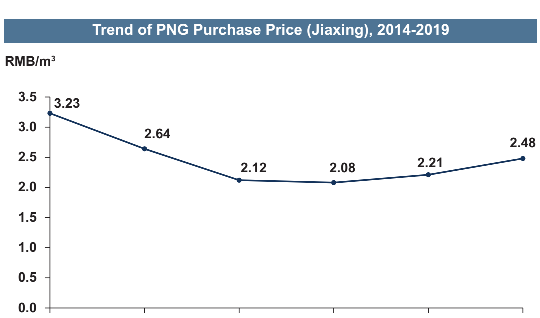


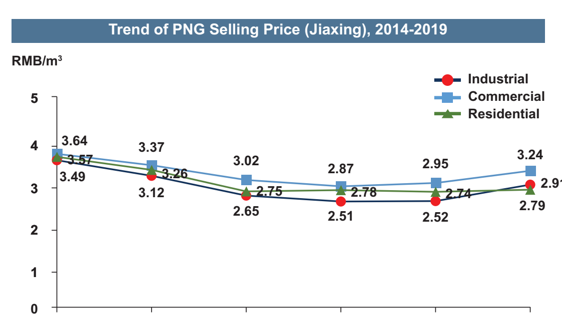


Note: The purchase and selling prices are excluding tax.

Source: F&S Report

The purchase price of PNG decreased from RMB3.23/m^3 in 2014 to RMB2.12/m^3 in 2016 and then reached RMB2.48/m^3 in 2019. The selling prices of PNG are depending on the types of users. The PNG average unit selling price for industrial users fluctuated during 2014 to 2019 which changed from RMB3.49/m^3 to RMB2.91/m^3. For commercial users, the PNG selling price changed from RMB3.64/m^3 in 2014 to RMB3.24/m^3 in 2019. The selling price for residential users was RMB3.57/m^3 in 2014, and it had a relatively stable price tendency during 2016 to 2019 which reached RMB2.79/m^3 in 2019.





Note: The purchase and selling prices are excluding tax.

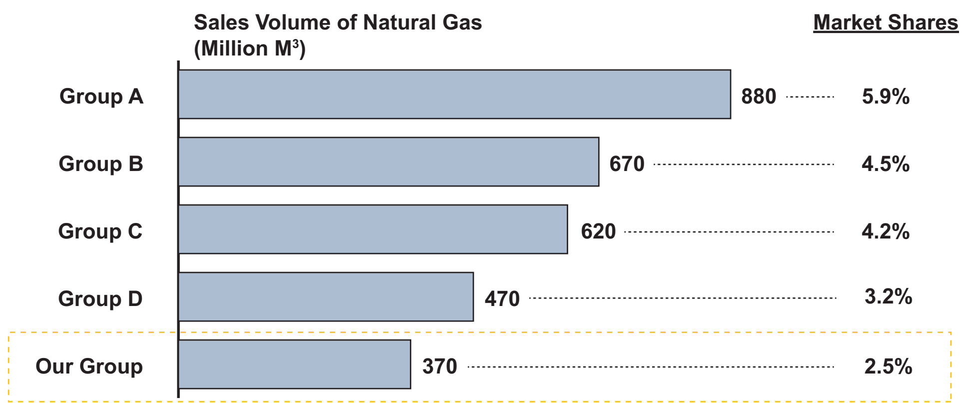
Source: F&S Report

COMPETITIVE LANDSCAPE ANALYSIS

Top Five Natural Gas Companies in terms of Sales Volume in Zhejiang Province

In 2019, the sales volume of natural gas in Zhejiang Province reached 14.8 billion m^3. Within approximately 220 natural gas companies in Zhejiang Province, the top five companies in Zhejiang Province's natural gas industry had a total share of 20.3%. Our Group's market share in 2019 is 2.5%.

Top Five Companies by Sales Volume in Natural Gas Industry (Zhejiang Province), 2019



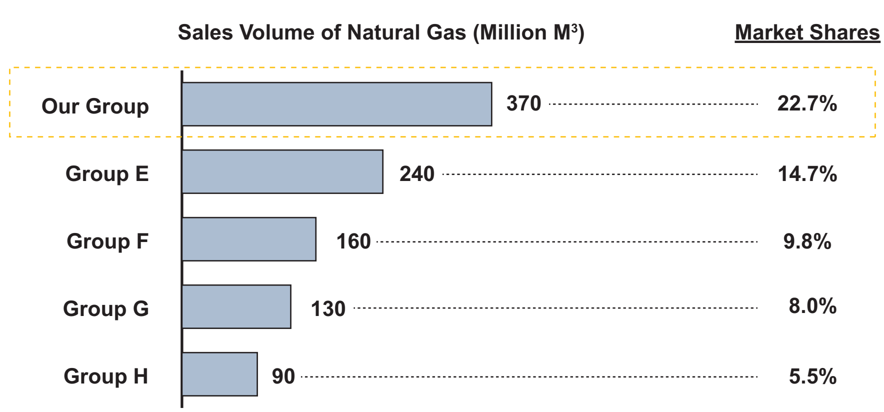
Note: The sales volumes for the above companies refer to PNG sales volume.

Source: F&S Report

Top Five Natural Gas Companies in terms of Sales Volume in Jiaxing

In 2019, the sales volume of natural gas in Jiaxing reached 1,630 million m^3. Within approximately 20 natural gas companies in Jiaxing, the top five companies in Jiaxing's natural gas industry had a total share of 60.7%. Our Group ranked the first in Jiaxing natural gas market with a market share of 22.7% in terms of sales volume.

Top Five Companies by Sales Volume in Natural Gas Industry (Jiaxing), 2019



Note: The sales volumes for the above companies refer to PNG sales volume.

Source: F&S Report

Competitor profiles

Company	Listed or Unlisted	Established Year	Business Introduction
Group A	Unlisted	1977	Its business mainly covers the sale and transportation of natural gas and LPG; and the design, construction and installation of gas engineering projects, etc.
Group B	Unlisted	2009	This company is a subsidiary of a Hong Kong listed company named Kunlun Energy Company Limited. It primarily engages in the storage, transportation and sale of natural gas, and the sale and after-sales service of gas stoves and auxiliary products.
Group C	Unlisted	2005	Its business primarily covers the investment, construction, operation, maintenance and management of natural gas pipeline system, procurement, transportation, storage, marketing and sale of natural gas and other gas.
Group D	Unlisted	2005	This company mainly engages in the sale and transportation of gas and the planning, construction, operation and management of gas supply facilities.
Group E	Unlisted	2002	This company primarily engages in the sale and transportation of gas and the planning, construction, operation and management of gas supply facilities.
Group F	Unlisted	2003	This company mainly engages in the sale and transportation of gas, and the investment, construction and operation of gas pipelines and facilities.
Group G	Unlisted	2009	Its business mainly covers the construction and operation of gas pipelines, supply of PNG, sale and after-sales service of gas stoves and auxiliary products.
Group H	Unlisted	2008	This company primarily engages in the sale and transportation of gas and the planning, construction, operation and management of gas supply facilities.

Competitive Landscape of LNG in Jiaxing

Currently, LNG supply is mainly provided by natural gas operators as emergency reserve. Natural gas operators that have LNG emergency reserve are (a) Our Group, which primarily engaged in the storage, transportation and sale of natural gas and LPG; (b) Group E that primarily engaged in the sale and transportation of gas and the planning, construction, operation and management of gas supply facilities; (c) Group F which mainly engaged in the sale and transportation of gas, and the investment, construction and operation of gas pipelines and facilities; (d) Group G whose business mainly covers the construction and operation of gas pipelines, supply of PNG, sale and after-sales service of gas stoves and auxiliary products; and (e) Group I which participates in natural gas pipeline construction, design, installation and technical consulting services.

OVERVIEW

We operate our natural gas businesses in the PRC. These industries are subject to certain regulations imposed by the PRC government. These regulations govern different aspects, including project approvals, pricing of natural gas, operations of city gas pipeline networks and bottle gas and environmental protection and safety. In addition, our operations are subject to general regulations in the PRC besides the industry-specific requirements, such as regulations on labor protection, etc.

NATURAL GAS INDUSTRY

Major Laws and Regulations

The natural gas business mainly involves the concession of municipal public utilities transmission pipelines, city gas pipeline networks and city gas. The key applicable laws and regulations include the Measures for the Administration on the Franchise of Municipal Public Utilities (《市政公用事業特許經營管理辦法》), the Measures for the Administration of Concession for Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》), the Regulation on the Administration of Urban Gas (《城鎮燃氣管理條例》), the Policies on the Utilisation of Natural Gas (《天然氣利用政策》), and Notice on the Adjustment of Natural Gas Price.

Foreign Investment Policy

According to the Catalogue of Industry Guidance for Foreign Investment (revised in 2015)(《外商投資產業指導目錄(2015年修訂)》), the Catalogue of Industry Guidance for Foreign Investment (revised in 2017)(《外商投資產業指導目錄(2017年修訂)》), and the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2018)(《外商投資准入特別管理措施(負面清單) (2018年版)》) jointly promulgated by the NDRC and the Ministry of Commerce of the PRC on 10 March 2015, 18 June 2017 and 28 June 2018 respectively, enterprises engaged in the construction and operation of urban gas, heat and water supply and drainage pipelines and networks for cities with an urban population of 500,000 or more shall be controlled by Chinese shareholders (the "Restrictions on Chinese Holding").

According to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單)(2019年版)》) jointly promulgated by the NDRC and the Ministry of Commerce of the People's Republic of China on 30 June 2019 and implemented on 30 July 2019, the construction and operation of the gas pipeline network is not within the scope of the Special Administrative Measures for the Access of Foreign Investment.

The PRC Legal Advisers are of the view that, from 1 January 2017 and up to 29 July 2019, our Group was subject to the Restrictions on Chinese Holding and in compliance with the foreign investment policy. Since 30 July 2019 and up to the Latest Practicable Date, our business is not subject to any foreign investment restrictions.

Industry Policies

On 14 October 2012, the NDRC promulgated the Policies on the Utilisation of Natural Gas (《天然氣利用政策》2012年第15號令) pursuant to which the use of natural gas is regulated on a demand basis. Under the policy, the usage of natural gas is categorised into four main areas, namely city gas, industrial fuel, power generation by natural gas, and chemical engineering using natural gas. Balancing factors such as its social, environmental and economic benefits, and the different profiles of its users, natural gas utilisation is divided into the following categories: prioritised, permitted, restricted and prohibited.

On 24 December 2016, the NDRC promulgated the Notice on Oil and Natural Gas Development 13th Five-Year Plan (《天然氣發展"十三五"規劃》發改能源[2016]2743號), According to the Plan, Natural gas will become one of the main energy sources. By 2020, natural gas is expected to account for 10% for the proportion of primary energy consumption.

In May 2017, the CPC Central Committee and the State Council promulgated the Advice on Deepening the Reform of Oil and Gas System (《關於深化石油天然氣體制改革的若干意見》). According to the Advice, Natural gas peaking policy (天然氣調峰政策) and grading reserve peaking mechanism (分級儲備調峰制度) shall be established. The responsibility and obligation among the government, gas supply enterprises, pipeline enterprises, city gas companies and users with large consumption shall be clarified to adjust their peaks. Gas supply enterprises and pipeline enterprises shall bear the responsibility of the adjustment of seasonal peaking and emergency treatment.

On 23 June 2017, the NDRC promulgated the Advice on Accelerating the Use of Natural Gas (《加快推進天然氣利用的意見》發改能源[2017]1217號). According to the Advice, by 2030, natural gas is expected to account for 15% for the proportion of primary energy consumption.

On 26 April 2018, the NDRC and the National Energy Administration promulgated the Advice on Accelerating the Construction of Gas Storage Facilities and Improving the Market Mechanism of Gas Storage and Peak Adjustment Auxiliary Services (《關於加快儲氣設施建設和完善儲氣調峰輔助服務市場機制的意見》發改能源規[2018]637號). According to the Advice, every gas supply enterprise shall establish a storage system. By 2020, city gas enterprises are encouraged to establish natural gas reserves and have the capacity of storing natural gas of not less than 5% of their annual consumption volume. If any city gas enterprise fails to maintain a gas storage capacity of 5% of annual gas consumption by the end of 2020, and is still in the situation of shortage of gas supply for successive years and refuse to sign a sales contract to make up for the shortage, the competent administrative department for gas operation should order it to strengthen rectification, and may further revoke the gas business license and the franchise right in accordance with laws and regulations such as the Regulation on the Administration of Urban Gas.

On 30 August 2018, the State Council promulgated the Advice on Promoting Coordinated and Stable Development of Natural Gas (《關於促進天然氣協調穩定發展的若干意見》國發[2018]31號), According to the Advice, urban gas enterprise are responsible for establishing a multi-level gas storage system with underground gas storage and coastal LNG receiving stations as the main part, inland intensive and large scale LNG storage tanks as the auxiliary, and pipeline network interconnection as the support. By 2020, city gas enterprises are encouraged to form a gas storage capacity of no less than 5% of their annual gas consumption. Local governments and enterprises that breach contracts and fail to provide adequate assurance of gas supply shall be included in the list of dishonesty according to relevant regulations, and joint punishment shall be carried out for serious violations of laws and dishonesty.

Hangjiaxin is building two fully contained LNG storage tanks with a total LNG storage capacity of 200,000 m^3 (equivalent to approximately 120 million m^3 of natural gas in gaseous state) on top of our Group's existing LNG storage capacity. The construction of the aforementioned LNG storage tanks is expected to be completed by the third quarter of 2020 and the aforementioned storage tanks are expected to be put into trial operation by the end of 2020. Our Group is expected to maintain a gas storage capacity of no less than 5% of annual gas consumption by the end of 2020. Also, our Group has not and is not expected to encounter any shortage of gas supply or refusal to sign sales contracts to make up for any shortage. As a result, our Group is expected to comply with the relevant regulations in relation to the LNG storage capacity, and the relevant regulations will not affect the operation of our business.

According to the Opinions on the Implementation of the Operation Mechanism Reform of the Oil and Natural Gas Pipeline Network (《石油天然氣管網運營機制改革實施意見》) proposed by the Seventh Meeting of the Central Comprehensive Deepening Reform Committee on 19 March 2019, the PRC government intends to unify the intermediary pipeline networks, strengthen the control on transmission cost of the intermediary pipeline networks and promote multi-channel supply of upstream PNG sources.

According to Notice on Issuing of the Summary of Structural Reforms in Energy Sector in 2020 (《關於印發2020年浙江省能源領域體制改革工作要點的通知》浙發改能源[2020]12號) ("2020 Summary") issued by Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) and Zhejiang Energy Regulatory Office of National Energy Administration (浙江省能源局) on 20 January 2020, the government aims to (i) discontinue the monopoly status of the provincial natural gas pipeline companies; (ii) separate the function of natural gas sale and distribution; (iii) promote the fair and equal access to the infrastructure of natural gas, such as provincial pipeline network and LNG terminals, by all market entities; and (iv) reform and simplify the natural gas supply chain.

CONCESSION IN MUNICIPAL PUBLIC UTILITIES PROJECTS

According to the Measures for the Administration on the Franchise of Municipal Public Utilities (《市政公用事業特許經營管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China (hereinafter referred to as "MOHURD") on 19 March 2004 and amended on 4 May 2015 and the Measures for the Administration of Concession for Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》) mainly promulgated by NDRC on 25 April 2015 (hereinafter referred to as the "Concession Rights Measures"), the Concession Rights Measures governing the grant of concession rights for municipal public utilities projects are applicable to municipal public utilities projects including supply of natural gas projects. The Concession Rights Measures are applicable to the grant and period of concession rights, the qualification of enterprises for applying concession rights, major clause of a concession contract, responsibility for enterprises with concession rights and changes and termination of concession rights and others.

The Grant of Concession Rights

According to the Concession Rights Measures, government authorities should select investors or operators of municipal public utilities projects through competitive modes such as public bidding and competitive negotiation according to relevant regulations, and enter into concession agreements to grant concession rights with them. However, the Concession Rights Measures provide no penalty for acquisition of concession rights without adopting competitive methods. The Concession Rights Measures require written concession agreements to be entered into for all municipal public utilities projects prior to the commencement of a concession period. For any concession projects which fail to comply with such requirement, the Concession Rights Measures require that the rectification can be made by entering into written concession agreements in a timely manner.

The Terms of Concession Contract

According to the Measures for the Administration of Concession for Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法), the Regulations of on the Administration of Gas in Zhejiang Province (《浙江省燃氣管理條例》) promulgated by Standing Committee of Zhejiang Provincial People's Congress on 30 November 2006 and amended on 29 May 2014 and the standard format of a franchise operation contract, published by the MOHURD in September 2004 with respect to piped city gas supply for guidance, the concession contract shall contain main provisions regarding the following:

- The content, region and duration of the concession;
- Product quality standards, measurement standards and service specifications;

- Methods and principles for determining and adjusting gas prices and other charging standards;
- Safety of city gas supply and safeguard measures;
- The ownership and disposal authority of the facility;
- Quality standards for maintenance, renovation and handover of facilities;
- The change, transfer and termination of the concession right;
- Performance guarantee;
- Default liabilities and resolution of disputes;
- Other matters that should be agreed upon.

The Period of Concession Rights

According to the Concession Rights Measures, the term of concession for infrastructure and public utilities shall be determined in light of the industry characteristics, the public products provided or service needs, the project life cycle, the investment payback period, and other integrated factors and shall not exceed 30 years at a maximum. For a concession project of infrastructure and public utilities with large investment scale and long payback period, the government or its authorised department may, in light of the reality of the project, agree on a term of concession exceeding 30 years.

After the expiration of the term, the government or its authorised department should adopt competitive modes such as public biddings to re-select the concessionaire. Under the same condition, preferential access to concession rights shall be given to the former concessionaire.

URBAN GAS DEVELOPMENT PLAN

According to the Regulation on the Administration of Urban Gas (《城鎮燃氣管理條例》) (hereinafter referred to as the Urban Gas Regulation) promulgated by the State Council on 19 November 2010 and amended on 2 February 2016, the department of housing and urban-rural development under the State Council shall, jointly with the relevant departments under the State Council, organize to formulate the national plan for gas development in accordance with the plan for national economic and social development, the overall plan of land utilization, urban and rural planning and the energy program and in light of the balance situation of the total amount of national gas resources and organize the implementation thereof. The gas administrative department of the local people’s government at or above the county level shall, jointly with the relevant departments, organize to formulate the plan for gas development of its respective administrative region in accordance with the plan for national economic and social development, the overall plan for land utilization, the urban and rural planning, the energy program and the plan for gas development of the next higher level, organize the implementation thereof upon the approval of the people's government at the same level and file it with the gas administrative department of the people's government at the next higher level for archival purpose.

SAFETY OF GAS OPERATION

According to the Regulation on the Administration of Urban Gas (城鎮燃氣管理條例), gas operators plan to carry out alteration in municipal gas facilities, gas operators shall prepare and submit alteration plans for the approval by gas authorities departments under local people's government at or above the county level.

Local people's government at or above the county level shall organise the competent gas authorities and relevant departments to formulate emergency plans for gas accidents and clarify the constituent units of the emergency agencies and their corresponding responsibilities, safeguards for funds, equipment and personnel, and emergency action plans. Gas operators shall establish a responsibility system for gas safety management, and shall inspect, overhaul and update gas facilities regularly to eliminate possible accident in time.

BUSINESS QUALIFICATIONS AND LICENCES

Gas Operation Licence

According to the Measures for the Gas management licence management (《燃氣經營許可管理辦法》) promulgated by MOHURD on 19 November 2014 and amended on 11 March 2019 and the Regulations of on the administration of Gas in Zhejiang Province (《浙江省燃氣管理條例》), Gas operators shall obtain approval from the competent administrative department for gas operation. An enterprise that meets the conditions stipulated in the Measures for the Gas management licence management the regulations shall be issued with a gas operation licence by the gas management department of the local people's government at or above the county level. Enterprises operating piped gas and bottled gas are required to obtain a gas operation licence.

An enterprise that applies for piped natural gas operation licence shall meet the following conditions:

- Meeting the requirements of the plans for gas development;

- Having stable gas sources and gas facilities meeting the national and provincial standards;

- Having a fixed place of business, a complete safety management system and a sufficient operation plan;

- The principal, work safety manager and the operation, maintenance and repair personnel of enterprises being professionally trained and qualified in evaluation; and

- Meeting other requirements prescribed by laws and regulations.

An enterprise that applies for bottled gas operation licence shall meet the following conditions:

- Obtaining the company business licence in accordance with the law;

- Having stable gas source meeting the national and provincial standards;

- Having corresponding sites, facilities, equipment and tools for storage, filling and distribution in accordance with national standards;

- Having management and technical personnel appropriate to the scale of operations;

- Having a sound safety management system and clarifying the person responsible for safety;

- Having the corresponding responsibility of a safety accident;

- Meeting other requirements prescribed by laws and regulations.

Registration for the Use of Special Equipment

According to the Law of the PRC on the Safety of Special Equipment (《中華人民共和國特種設備安全法》) promulgated by the Standing Committee of National People's Congress on 29 June 2013 and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council on 11 March 2003 and amended on 24 January 2009, an special equipment catalogue shall be formulated by the department of the State Council that is in charge of the safety supervision and administration of special equipment. Entities using special equipment listed in the catalogue shall use special equipment that has been issued the production licence and that has passed inspection. An entity using special equipment shall, before or within thirty days after using special equipment, go through use registration with the safety supervision and administration of special equipment.

Road Transport Business Licence

According to the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) promulgated by the State Council on 26 January 2002 and last amended on 7 December 2013, entities engaging in the road transportation of hazardous chemicals shall obtain the road transportation licence for hazardous chemicals pursuant to the relevant laws and administrative regulations on road transport, and complete registration procedures with the industry and commerce department.

Gas Cylinder Filling Licence

According to the Provisions on the Safety Supervision over Gas Cylinders (《氣瓶安全監察規定》) promulgated by General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China on 24 April 2003 and amended on 25 August 2015, entities filling gas cylinder shall apply for Gas Cylinder Filling Licence to the provincial quality supervision department. The valid period for a Gas Cylinder Filling Licence shall be 4 years.

Construction Enterprise Qualification

According to the Measures of Regulation on Construction Enterprise Qualification (《建築業企業資質管理規定》) promulgated on 26 June 2007 and last amended on 22 December 2018 by MOHURD, construction enterprises engaging in activities including new, extended and conversed works of civil engineering, construction, installation of lines, pipes and equipment and decoration construction shall apply for the Construction Enterprise Qualification according to their registered capital, professional technical staff, technology and equipment and performance records of their completed construction works and they shall engage in construction activities within the scope permitted by their qualification levels after obtaining qualification certificates. The qualification of construction enterprises was divided into three sequences, namely full contracting of construction, professional contracting and labour subcontracting. The valid period for Construction Enterprise Qualification is 5 years.

Work Safety Licence

According to the Regulation on Work Safety Licences (《安全生產許可證條例》) promulgated and implemented on 13 January 2004 and last amended on 29 July 2014, respectively, by the State Council, the state applies a work safety licensing system to enterprises engaged in construction. Before starting production, a construction enterprise shall apply for the Work Safety Licence to the department in charge of the issuance and administration of Work Safety Licences. No construction enterprises may engage in production activities without Work Safety Licences. The administrative departments of construction under the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government shall be in charge of issuance and administration of Work Safety Licences for construction enterprises, and be subject to the guidance and supervision of the administrative department of construction under the State Council. The valid period for a Work Safety Licence shall be 3 years.

PRICING OF NATURAL GAS

The range of commodities and services with government-guided prices or government-set prices

Pursuant to the PRC Pricing Law (《中華人民共和國價格法》) promulgated by the Standing Committee of National People's Congress (hereinafter referred to as "SCNPC") on 29 December 1997, the government is implementing and gradually optimizing the pricing mechanisms mainly formed by the market under the macro-economic control policies. Most merchandise and services shall adopt the market price. Only very few merchandise and services are priced according to government guidance or priced by the government. Market-regulated prices refer to prices fixed independently by business operators through market competition. The government may enforce government-guided prices or government-set prices when necessary for the prices of the following commodities and services: (1) the prices of an extremely small number of commodities vital for the development of the national economy and people's life; (2) the prices of a small number of commodities the resources of which are rare or short; (3) the prices of commodities under natural monopoly management; (4) the price of essential utilities; and (5) the prices of essential non-profit services. For the pricing of merchandise and services, in accordance with the aforesaid requirements, merchandise and services could be priced according to the market price, which is set by operators.

The authority of the competent department

According to the PRC Pricing Law (《中華人民共和國價格法》), the competent department for pricing and other relevant departments under the State Council shall set government guidance prices and government fixed prices within the limits of their powers for pricing and the scope of applicable commodities and services defined in the central pricing catalogue. The government guidance prices and government fixed prices for major merchandises and services shall be set with the approval from the State Council. The competent departments for pricing and other relevant departments under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall set government guidance prices and government fixed prices for their own regions within the limits of their powers for pricing and the scope of applicable commodities and services defined in the local pricing catalogues. The people's governments of cities and counties may, as authorised by the people's governments of provinces, autonomous regions and municipalities directly under the Central Government, set government guidance prices and government fixed prices for their own regions within the limits of their powers for pricing and the scope of applicable commodities and services defined in the local pricing catalogues.

According to the Pricing Catalogues in Zhejiang Province (《浙江省定價目錄》) promulgated by the Zhejiang Commodity Price Bureau on 5 August 2018, the Jiaxing Municipal People's Government may, as authorised by the people's governments of Zhejiang province, set government guidance prices for gas distribution price and selling price of piped gas in the jurisdiction.

According to the Jiaxing Institutional Reform Plan (《嘉興市機構改革方案》), the Jiaxing Price Bureau was revoked, the Jiaxing Market and Supervision Administration is responsible for the supervision and inspection of price, and the Jiaxing Development and Reform Commission is responsible for implementing the national and provincial price reform and adjustment plan and managing the prices of goods and services that belong to government guidance prices and government fixed prices.

The mechanism of pricing and adjustment

On 10 December 2018, the NDRC promulgated the Measures for the Hearing of Governments' Pricing (《政府制定價格聽證辦法》). According to the Measures, the pricing of public utilities, public welfare services, commodities and services under natural monopoly and other government-guided pricing or governments' pricing that concern the vital interests of the people shall be subject to pricing hearing.

On 31 August 2018, the Zhejiang Commodity Price Bureau promulgated the Measures of Urban Gas Price Management in Zhejiang Province (《浙江省城鎮燃氣價格管理辦法》). According to the Measures, the gas distribution price is divided into residential usage and non-residential usage, which are reasonably determined on the basis of the approved average gas distribution price based on user characteristics and cost differences. The difference of the price between residential usage and non-residential usage is controlled within a reasonable cost difference. The gas distribution price should be checked regularly, and the check cycle should not exceed 3 years in principle.

The price of Natural Gas in Jiaxing

On 28 April 2014, the Zhejiang Commodity Price Bureau promulgated the Notice of the NDRC on Establishing and Improving the Guiding System for the Residential Usage Natural Gas Hierarchical Pricing System (《轉發國家發展改革委關於建立健全居民生活用氣階梯價格制度指導意見的通知》浙價資[2014]94號). According to the Notice, Zhejiang Province adopts hierarchical pricing system of residential gas consumption. The pricing cycle of the residential gas hierarchical pricing system is implemented in principle on an annual basis. The gas price level of schools, social welfare places, religious sites, non-resident users of public welfare service places is recommended to be 1.1 times the first-class gas price of local residents.

On 20 June 2017, the NDRC promulgated the Guidance on Strengthening the Regulation of Gas Distribution Prices (《關於加強配氣價格監管的指導意見》發改價格[2017]1171號). Pursuant to the Guidance, the local price authority shall verify the independent gas distribution price, and may formulate the price of gas according to the user category on the basis of reasonable cost sharing.

On 8 September 2017, the Zhejiang Commodity Price Bureau promulgated the Notice on Strengthening Natural Gas Price Supervision to Reduce Non-residential Usage Natural Gas Prices (《關於加強天然氣價格監管降低非居民用天然氣價格的通知》浙價資[2017]139號). According to the Notice, it is necessary to reduce the price of urban gateway stations and power gateway stations, and simultaneously reduce the price of urban terminal sales. It is necessary to reduce the price difference between natural gas purchase and sales in some cities, improve the price policy for residential heating usage gas, and further standardise the pre-burial or renovation charges for pipeline gas facilities.

The guidance prices for PNG sales implemented in Jiaxing during the Track Record Period and up to the Latest Practicable Date are shown in the table below:

Applicable time	Type of gas use	Relevant basis	Decision-making department	Price
1 September 2015 to present	Residential usage in Jiaxing Urban Area	Approval on the Relevant Issues concerning the Price of Natural Gas for Residential Usage in Jiaxing Port Area (《關於嘉興市港區居民生活用天然氣價格等有關問題的批復》嘉發改物[2015]174號)	Jiaxing Development and Reform Commission, Jiaxing Commodity Price Bureau	Hierarchical gas price is divided into 3 levels. The portion of 300 m^3 and below in annual gas consumption – RMB2.98/m^3; The portion between 300 m^3 and 480 m^3 in annual gas consumption – RMB3.6/m^3; The portion above 480 m^3 in annual gas consumption – RMB4.5/m^3.
20 April 2016 – 31 August 2017	Non-residential usage in Jiaxing Urban Area	Notice on the Relevant Matters concerning Reducing Non-residential Natural Gas Prices (關於降低非居民用天然氣價格等有關事項的通知嘉發改物[2016]201號)	Jiaxing Development and Reform Commission	The sales price ceiling was adjusted from RMB3.71/m^3 to RMB3.33/m^3. Hierarchical gas price is divided into 4 levels. The portion of 10,000 m^3 and below in daily gas consumption – RMB3.33/m^3; The portion between 10,000 m^3 and 20,000 m^3 (include) in daily gas consumption – RMB3.21/m^3; The portion between 20,000 m^3 and 50,000 m^3 (include) in daily gas consumption – RMB3.01/m^3; The portion above 50,000 m^3 in daily gas consumption – RMB2.81/m^3.

Applicable time	Type of gas use	Relevant basis	Decision-making department	Price
1 September 2017 – 31 October 2018		Notice on the Relevant Matters concerning Reducing Non-residential Natural Gas Prices (關於降低非居民用天然氣價格等有關事項的通知嘉發改物[2017]280號)	Jiaxing Development and Reform Commission	The sales price ceiling was adjusted from RMB3.33/m^3 to RMB3.21/m^3. Hierarchical gas price is divided into 4 levels. The portion of 10,000 m^3 and below in daily gas consumption – RMB3.21/m^3; The portion between 10,000 m^3 and 20,000 m^3(included) in daily gas consumption – RMB3.09/m^3; The portion between 20,000 m^3 and 50,000 m^3(included) in daily gas consumption – RMB2.89/m^3; The portion above 50,000 m^3 in daily gas consumption – RMB2.69/m^3.
1 November 2018 – 31 March 2019		Notice on the Relevant Matters concerning Adjustment of Non-residential Natural Gas Prices (關於調整非居民用天然氣價格有關事項的通知嘉發改物[2018]344號)	Jiaxing Development and Reform Commission	The sales price ceiling was adjusted from RMB3.21/m^3 to RMB3.89/m^3.Hierarchical gas price is divided into 4 levels. The portion of 10,000 m^3 and below in daily gas consumption – RMB3.89/m^3; The portion between 10,000 m^3 and 20,000 m^3 (included) in daily gas consumption – RMB3.77/m^3; The portion between 20,000 m^3 and 50,000 m^3 (included) in daily gas consumption – RMB3.57 /m^3; The portion above 50,000 m^3 in daily gas consumption – RMB3.37/m^3.

Applicable time	Type of gas use	Relevant basis	Decision-making department	Price
1 April 2019 – 31 October 2019		Notice on the Relevant Matters concerning Adjusting Natural Gas Prices (關於調整天然氣價格等有關事項的通知嘉發改[2019]74號)	Jiaxing Development and Reform Commission	The sales price ceiling of non-residential usage was adjusted to RMB3.6/m^3, and the sales price ceiling for coal-to-gas users was adjusted from RMB3.45/m^3 to RMB3.17/m^3. The gas price of non-residential usage is divided into 4 levels: The portion of 10,000 m^3 and below in daily gas consumption – RMB3.6/m^3 ; The portion between 10,000 m^3 and 20,000 m^3 (included) in daily gas consumption – RMB3.48/m^3; The portion between 20,000 m^3 and 50,000 m^3 (included) in daily gas consumption – RMB3.28/m^3; The portion above 50,000 m^3 in daily gas consumption – RMB3.08/m^3.
1 November 2019 to 31 March 2021		Notice on Approval of the Maximum Sales Prices of Non-residential Natural Gas (《關於核定非居民天然氣最高銷售價格的通知》嘉發改[2019]283號)	Jiaxing Development and Reform Commission	The sales price ceiling of non-residential usage was adjusted to RMB3.52/m^3 The hierarchical gas price system no longer implemented. The sales price ceiling for coal-to-gas was adjusted from RMB3.17/m^3 to RMB3.35/m^3

Applicable time	Type of gas use	Relevant basis	Decision-making department	Price
1 February 2020 to 30 April 2020		Notice on Temporarily Reducing the Price of Gas, Water and Electricity for Enterprises During the Epidemic Prevention of COVID-19 (《關於新冠肺炎防疫期間臨時降低企業用氣用水用電價格的通知》浙發改價格[2020]22號)	Zhejiang Development and Reform Commission	The sales price ceiling of non-residential usage was adjusted to RMB3.168/m^3. The sales price ceiling for coal-to-gas was adjusted to RMB3.015/m^3.
22 February 2020 to 30 June 2020		Notice on the Adjustment of the Sales Prices of Non-residential Natural Gas (關於調整非居民天然氣銷售價格的通知(嘉發改[2020]65號))	Jiaxing Development and Reform Commission	The sales price ceiling of non-residential usage was adjusted to RMB3.08/m^3. The price policy for coal-to-gas remained unchanged.

The guidance prices for PNG gateway stations implemented in Jiaxing during the Track Record Period and up to the Latest Practicable Date are shown in the table below:

Applicable time	Type of gas use	Relevant basis	Decision-making department	Price
1 January 2016 – 31 March 2019	Residential usage in Jiaxing Urban Area	Notice on the Relevant Issues concerning Adjusting Natural Gas Prices (關於調整天然氣價格有關問題的通知浙價電[2010]20號)	Zhejiang Commodity Price Bureau	The price of gateway stations was adjusted from RMB2.09/m^3 to RMB2.42/m^3.
1 April 2019 – 31 October 2019		Notice on the Relevant Matters concerning Adjusting Natural Gas Prices (關於調整天然氣價格等有關事項的通知嘉發改[2019]74號)	Jiaxing Development and Reform Commission	The price of gateway stations was adjusted to RMB2.64/m^3.

Applicable time	Type of gas use	Relevant basis	Decision-making department	Price
20 April 2016 – 31 August 2017	Non-residential usage in Jiaxing Urban Area	Notice on the Relevant Matters concerning Reducing Non-residential Natural Gas Prices (關於降低非居民用天然氣價格等有關事項的通知嘉發改物[2016]201號)	Jiaxing Development and Reform Commission, Zhejiang Commodity Price Bureau	The price of gateway stations was adjusted from RMB2.42/m^3 to RMB2.294/m^3.
1 September 2017 – 30 April 2018		Notice on the Relevant Matters concerning Reducing Non-residential Natural Gas Prices (關於降低非居民用天然氣價格等有關事項的通知嘉發改物[2017]280號)	Jiaxing Development and Reform Commission	The price of gateway stations was adjusted from RMB2.294/m^3 to RMB2.194/m^3.
1 May 2018 – 31 October 2018		Notice on the Relevant Matters concerning Raising Non-residential Natural Gas Prices of Gateway Stations (關於提高非居民用天然氣門站價格等有關事項的通知(嘉發改物[2018]148號))	Jiaxing Development and Reform Commission	The price of gateway stations was adjusted from RMB2.194/m^3 to RMB2.244/m^3.
1 November 2018 – 31 March 2019		Notice on the Relevant Matters concerning Adjustment of Non-residential Natural Gas Prices (關於調整非居民用天然氣價格有關事項的通知嘉發改物[2018]344號)	Jiaxing Development and Reform Commission	The price of gateway stations was adjusted from RMB2.244/m^3 to RMB2.904/m^3.

Applicable time	Type of gas use	Relevant basis	Decision-making department	Price
1 April 2019 – 31 October 2019		Notice on the Relevant Matters concerning Adjusting Natural Gas Prices (關於調整天然氣價格等有關事項的通知嘉發改[2019]74號)	Jiaxing Development and Reform Commission	The price of gateway stations was adjusted to RMB2.64/m^3.
1 November 2019 to present	Residential usage and Non-residential usage in Jiaxing Urban Area	Notice on the Non-residential Natural Gas Prices in Urban and Gangqu Area and the Establishment of Upstream and Downstream Prices Linkage Mechanism (《關於制定市區及港區非居民天然氣配氣價格建立上下游價格聯動機制的通知》嘉發改[2019]284號)	Jiaxing Development and Reform Commission	The price of gateway stations was adjusted to RMB2.82/m^3.
1 February 2020 to 21 February 2020	Non residential usage in Jiaxing Urban Area	Notice on Temporarily Reducing the Price of Gas, Water and Electricity for Enterprises During the Epidemic Prevention of COVID-19 (《關於新冠肺炎防疫期間臨時降低企業用氣用水用電價格的通知》浙發改價格[2020]22號)	Zhejiang Development and Reform Commission	The price of gateway stations was adjusted to RMB2.68/m^3.

Applicable time	Type of gas use	Relevant basis	Decision-making department	Price
22 February 2020 to 31 May 2020		Notice on the Adjustment of the Natural Gas Prices of Gateway Stations (浙江省發展改革委關於調整天然氣門站價格的通知(浙發改價格[2020]91號))	Zhejiang Development and Reform Commission	The price of gateway stations was adjusted to RMB2.38/m^3.
1 June 2020 to 1 July 2020		Notice on Floating Down the Natural Gas Prices of City Gateway Stations in June 2020 (關於下浮2020年6月天然氣城市門站價格的通知)	Jiaxing Pipeline Company	The price of city gateway stations was adjusted to RMB2.31/m^3.

Pricing of Construction and Installation Services

According to the Advice on the Collection and Management of Urban Gas Pipeline Network Construction Costs (《關於市區燃氣管網配套建設費用收取和管理的建議意見》嘉辦[2006]185號) issued by the Jiaxing Municipal People's Government Office on 27 December 2006, the indoor construction and installation fee for residential users in Jiaxing is RMB7 per m^2 based on the site area.

According to the Notice of Zhejiang Commodity Price Bureau on Regulating the Charges for the Pre-burial and Renovation of Pipeline Gas Facilities for Non-Residential Users (《浙江省物價局關於規範非居民用戶管道燃氣設施預埋和改造收費行為的通知》), issued by Zhejiang Commodity and Price Bureau on 18 October 2016. The installer and non-residential users can negotiate the construction and installation fee based on the cost.

On 27 June 2019, the NDRC, the Ministry of Housing and Urban-rural Development and the State Administration for Market Regulation jointly issued the Installation Charges Opinions (《關於規範城鎮燃氣工程安裝收費的指導意見》發改價格[2019]1131號) (the Installation Charges Opinions), which state, among other things, that:

(i) natural gas companies shall not abuse their dominant positions in the market and monopolise the natural gas installation services in their respective operating areas, or designate their interested parties to provide such installation services, hindering fair competition in the market;

(ii) in regions where a competitive market for natural gas installation services has not been established and the installation fee is not regulated under the government pricing catalogue,

  (a) the local pricing bureaus shall strengthen the supervision of the installation fee and reasonably determine the pricing standard, taking into account the fees of the leading industry players, the fees in the surrounding areas and, in principle, the profit-to-cost ratio for such services should not exceed 10%;

  (b) if the current fee standard is considered to be too high, downward adjustments shall be made timely; and

  (c) the local pricing bureaus should also expedite the establishment of a competitive market system which allows the price to be determined by the market; and

(iii) in regions where the installation fee is currently determined by the market, the installation and construction companies shall charge a fee based on the principles of fairness and lawfulness with good faith.

The Installation Charges Opinions are guidance opinions. As at the Latest Practicable Date, there are no implementation rules for the Installation Charges Opinions in Jiaxing.

PRC LAWS AND REGULATIONS RELATING TO REAL ESTATE

According to the Real Right Law of the PRC (《中華人民共和國物權法》) (the "Real Right Law"), which was promulgated by the National People's Congress of the People's Republic of China (hereinafter referred to as NPC) on 16 March 2007 and took effect on 1 October 2007, the term "real right" as mentioned in the Real Right Law means the exclusive right of direct control over a specific real estate enjoyed by the holder in accordance with law, including ownership, usufructuary right and real rights for security. After it is registered in accordance with law, the creation, alteration, alienation or termination of the real right of a realty shall come into effect. Unless it is otherwise prescribed by any law, it shall have no effect if it is not registered in accordance with law.

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by NPC on 25 June 1986 and last amended on 28 August 2004, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The People's Government at or above the county level shall register and put on record uses of state-owned land used by construction units or individuals, and issue certificates to certify the land use rights. In accordance with the Law of the PRC on the Administration of the Urban Real Estate (中華人民共和國城市房地產管理法) promulgated by SCNPC on 5 July 1994 and last amended on 26 August 2019, the State practises the system of using State-owned lands under due compensation and terms of using the land except the use of State-owned land allocated by the State according to this law. The right of land use shall be remised through auction, bidding or agreement between the related parties. A written contract for the remise shall be signed on the remise of the right to use land, and the land users should pay the remise money for the right of land use in accordance with the contract for the remise. Land users who need to change the use of the land prescribed by the contract must get the consent from the granting party and the urban planning department of the city or county people's government.

Pursuant to the Real Right Law of the PRC and the Law of the PRC on the Administration of the Urban Real Estate, mortgage of real estate refers to acts that a mortgagor provides the mortgagee security for the payment of a debt with his legal real estate in the manner that the possession of his real estate is not transferred. Where a debtor fails to pay his debt, the mortgagee shall have the right in accordance with the law to enjoy the priority in compensation to be paid with funds obtained from auction of the real estate mortgaged. A mortgage may be created on the ownership of a house obtained according to law together with the land use rights to the house site. Where a building is mortgaged, the right to the use of the land for construction within the area occupied by the building shall be mortgaged along with the building.

PLANNING AND CONSTRUCTION PERMITS

Construction Land Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by SCNPC on 28 October 2007 and last amended on 23 April 2019, a Construction Land Planning Permit is required for the use of both allocated land and granted land.

Construction Work Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》),where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the People's Government at the municipal or county level or the People's Government at the municipal or county level or to the People's Government of town as recognised by the People's Government of a province, autonomous region or municipality.

Construction Work Commencement Permit

According to the Construction Law of the People's republic of China (《中華人民共和國建築法》) promulgated by SCNPC on 1 November 1997 and last amended on 23 April 2019, a construction entity shall, prior to the commencement of a construction project, apply for a Construction Work Commencement Permit from a competent department of the Construction Administration of the People's Government at or above the county level of the place where the project is located pursuant to the relevant regulations, except for small projects below the threshold value set by the competent construction administrative department under the State Council. Construction projects which have obtained approval of construction commencement reports in accordance with the procedures stipulated by the State Council under its authority are no longer required to apply for construction licenses.

Inspection and Acceptance of Construction

According to the Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by MOHURD on 2 December 2013, after completing the project, an inspection team comprising design, survey, construction, supervision units should be established. Each unit is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for construction in various aspects of the construction.

According to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by MOHURD on 19 October 2009, the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including new building, expansion and reconstruction projects, within the territory of the PRC shall be governed by the measures. A construction entity shall, in accordance with the measures, go through the filing formalities with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated by SCNPC on 26 December 1989 and amended on 24 April 2014, enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation, etc. generated during production, construction or other activities. Enterprises and public institutions that discharge pollutants shall each establish an environmental protection responsibility system, and specify the responsibilities of the persons in charge and relevant personnel thereof. Facilities for the prevention and control of pollution in a construction project shall be designed, built and put into production and use together with the principal part of the project. The preparation of relevant development and utilisation plans and the construction of the projects having impact on environment shall be subject to environmental impact assessment in accordance with the law. For any development and utilisation plan, in absence of the environmental impact assessment in accordance with the law, the plan shall not be implemented; for any construction project, in absence of the environmental impact assessment in accordance with the law, the construction of the project shall not be commenced.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by SCNPC on 28 October 2002 and last amended on 29 December 2018 and the Rule on Classification for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價分級審批規定》) promulgated by the Ministry of Environmental Protection on 16 January 2009, the PRC government has established a system to appraise the environmental impact of construction projects and classify the appraisal based on the degree of environmental impact caused by the construction project. In the event of significant environmental impact, an environmental impact appraisal report shall include a comprehensive appraisal on the possible environmental impact; in the event of slight environmental impact, an environmental impact report shall include an analysis or special appraisal on the environmental impact; and in the event of minimal environmental impact, no environmental impact appraisal is required but an environmental impact form shall be filed. The registered report should be approved by competent administrative department before starting construction.

PRC LAWS AND REGULATIONS RELATING TO LABOUR

Pursuant to the PRC Labour Law (《中華人民共和國勞動法》) promulgated by SCNPC on 5 July 1994 and last amended on 29 December 2018 and the PRC Labour Contract Law (《中華人民共和國勞動合同法》) which was promulgated by SCNPC on 29 June 2007 and further revised on 28 December 2012 together with relevant labour laws and regulations, if an employment relationship is established between the employer and its employees, written labour contracts shall be prepared and financial remuneration shall be paid by the employer to its employees. Such contracts shall stipulate statutory working hours and breaks and holiday system, guaranteeing the labours' rights of enjoying safe and healthy working environment and social insurance, and can only be terminated in accordance with relevant laws.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by SCNPC on 28 October 2010 and last amended on 29 December 2018, employees shall participate in basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance schemes. Basic pension, basic medical insurance and unemployment insurance contributions shall be paid by both employers and employees while work-related injury insurance and maternity insurance contributions shall be solely undertaken by employers.

Pursuant to the Regulations on the Administration of Housing Fund (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999 and last amended on 24 March 2019, the employer must register with the applicable housing fund management center and establish a special housing fund account in an entrusted bank. When employing new staff or workers, the employer shall undertake housing provident fund payment and deposit registration at a housing provident fund management center within 30 days from the date of the employment.

The housing provident fund shall be contributed by both the employer and the employee. The employer shall pay the housing provident fund in the amount of the average monthly salary of the employer in the previous year times a certain deposited ratio designated to the employer, which shall not be less than 5% of an individual employee's monthly average wage of the preceding year. The employer shall pay up and deposit housing provident fund contributions in full in a timely manner. Late or insufficient payments are prohibited.

LAWS AND REGULATIONS CONCERNING THE CONSTRUCTION AND OPERATION OF THE DUSHAN PORT PROJECT

Business qualifications required for terminal operations

According to the Port Law of the People's Republic of China (《中華人民共和國港口法》) promulgated and implemented by the Standing Committee of the National People's Congress on 29 December 2018 and the Port Management Regulations (《港口經營管理規定》) promulgated and implemented by the Ministry of Transport of the People's Republic on 9 April 2019, enterprises engaged in loading, unloading and warehousing of goods in the port area shall apply to the Ministry of Transport or the port administrative department for obtaining a port operation permit. According to the Provisions on the Safety Management of Hazardous Goods at Ports (《港口危險貨物安全管理規定》) promulgated by the Ministry of Transport of the People's Republic of China on 4 September 2017 and implemented on 15 October 2017, enterprises that carry out port operations for dangerous goods shall also obtain a Port Operation Permit for Dangerous Goods.

Business qualifications required for storage and operation of LNG

According to the Regulations on the Safety Administration of Dangerous Chemicals (《危險化學品安全管理條例》) promulgated and implemented by the State Council on 2 March 2011 and amended on 7 December 2013, enterprises engaged in the operation of explosive hazardous chemicals and other dangerous chemicals and having storage facilities shall apply to the safety production supervision and administration department of the municipal people's government with districts in the locality to obtain the a Hazardous Chemicals Business License.

Approval procedures involved in LNG imports

According to the Customs Law of the People's Republic of China (《中華人民共和國海關法》) promulgated by the Standing Committee of the National People's Congress on 4 November 2017 and implemented on 5 November 2017, the consignee of the imported goods and the consignor of the exported goods shall truthfully declare to the customs and submit the import and export licenses and relevant documents.

According to the Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) promulgated by the Ministry of Commerce on 25 June 2004 and implemented on 1 July 2004, and amended on 18 August 2016, foreign trade business operators engaged in the import and export of goods or the import and export of technology shall go through the archival filing and registration with the Ministry of Commerce of the People's Republic of China or the agency entrusted by the Ministry of Commerce, unless the laws, administrative regulations and the Ministry of Commerce do not require archival filing and registration.

LAWS AND REGULATIONS CONCERNING THE CONSTRUCTION OF THE DUSHAN PORT PROJECT

Project approval

According to the Catalog of Investment Projects Subject to Government Confirmation (2016) (《政府核准的投資項目目錄 (2016年本)》) promulgated and implemented by the State Council on 12 December 2016 and the Notice of the People's Government of Zhejiang Province on Issuing the Catalog of Investment Projects Subject to Government Confirmation (Zhejiang Province 2017) (《浙江省人民政府關於發布政府核准的投資項目目錄 (浙江省2017年本)》) promulgated and implemented by the People's Government of Zhejiang Province on 28 April 2017, the appropriated berths for coal, ore and oil and gas shall be confirmed by the provincial government in accordance with relevant plans approved by the state.

Approval for use of shorelines

According to the Port Law, the construction of port facilities in the overall planning area of the port and the use of non-deep water shorelines shall be approved by the port administrative department. However, for the projects approved by the State Council or the State Council's comprehensive economic macro-control department, no additional approval procedures for the use of port shorelines are required.

Approval related to environmental protection

According to the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council of the People's Republic of China on 16 July 2017 and implemented on 1 October 2017, after the completion of the construction project for which the environmental impact report and the environmental impact statement shall be prepared, the construction unit shall, in accordance with the standards and procedures stipulated by the competent department of environmental protection administration under the State Council, conduct acceptance checks of the matching environmental protection facilities and prepare an acceptance report.

According to the Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (《建設項目環境影響評價分類管理名錄》) promulgated by the Ministry of Environmental Protection of the People's Republic of China on 29 June 2017 and implemented on 1 September 2017, and amended on 28 April 2018, environmental impact reports are required for new and expanded oil and gas and liquid chemical terminals, and environmental impact assessment forms are required in other circumstances.

Approval related to safety

According to the Provisions on the Administration of the Construction of Port Projects (《港口工程建設管理規定》) promulgated and implemented by the Ministry of Transport of the People's Republic of China on 28 November 2018 and the Provisions on the Safety Management of Hazardous Goods at Ports, for the construction of port projects for loading and unloading dangerous goods, the construction unit shall go through safety conditions review by the port construction unit, and the construction unit shall entrust a qualified safety evaluation agency to conduct safety acceptance evaluation of the construction project and its safety facilities in accordance with relevant national regulations.

Land use rights

Please refer to the paragraph headed "PRC Laws and Regulations Relating to Real Estate" in this section.

Sea area use rights

According to the Law of the People's Republic of China on the Administration of Sea Areas (《中華人民共和國海域使用管理法》) promulgated by the Standing Committee of the National People's Congress on 27 October 2001 and implemented on 1 January 2002, the marine administrative department of the people's government at or above the county level shall, in accordance with the marine functional zoning, review the application for use of the sea area and, in accordance with the provisions of this Law and the people's government of the province, autonomous region or municipality directly under the Central Government, report to the people's government having the approval authority for approval.

Construction Land Planning Permit and Construction Work Planning Permit

Please refer to the paragraph headed "Planning and Construction Permits" in this section.

Approval of construction drawing design and other construction procedures

According to the Provisions on the Administration of the Construction of Port Projects before the construction of the project, it is necessary to go through the approval procedure of the construction drawing design and relevant formalities before the commencement of construction according to the law, and construction shall not be commenced until conditions are met.

Completion acceptance of ports

According to the Provisions on the Administration of the Construction of Port Projects for the national key water transport project construction project, the project unit shall apply to the provincial transportation authority for completion acceptance. If the port construction projects belong to the government investment, the project unit shall apply to the local port administrative department for completion acceptance; if they belong to the enterprise investment, the project unit shall organize the completion acceptance.

HISTORY AND DEVELOPMENT

In March 1998, our Company was established in the PRC as a limited liability company. We then engaged in supplying bottled LPG in Jiaxing and started to lay underground gas pipe networks and set up gasification stations in Jiaxing. After decades of development, we conduct our business principally through our Company and two of our subsidiaries, Gangqu Gas and Jiaran Liquefied Gas. Since 2008, as the grantee of the Concessions, we have been the exclusive distributor of PNG in our Operating Area in Jiaxing under the Concession Agreements. Our Operating Area is located within Jiaxing Port Area and Jiaxing Urban Area. Jiaxing Port Area and Jiaxing Urban Area in aggregate occupied approximately 1,041.4 km^2, representing approximately 24.4% of the total area of Jiaxing. However, our Operating Area does not necessarily equate to the entire statutory administrative areas of Jiaxing Urban Area and Jiaxing Port Area. According to the F&S Report, we were the largest PNG distributor in Jiaxing in terms of PNG sales volume in 2019, with a market share of 22.7% (where the top five PNG distributors in Jiaxing together accounted for 61% of the entire Jiaxing PNG distribution market). During the Track Record Period, our principal business comprised (i) sales of gas, mainly PNG (under the Concessions), LNG and LPG in Jiaxing; (ii) 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; and (iii) others, including provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties. Please refer to the section headed "Business" in this prospectus for further details of our business operations.

On 15 March 1998, Jiaxing State-owned Assets Administration Bureau* (嘉興市國有資產管理局), Mr. Sun, Mr. Xu Songqiang (徐松強) and 33 other individuals founded our Company. Jiaxing State-owned Assets Administration Bureau was a PRC government body established for holding state-owned assets in Jiaxing. As a result of various transfers of equity interest, the state-owned interest was assigned to Jiaxing Pipeline Company in 2014 and transferred to City Development in August 2016. All of the individual founders were the then employees of Jiaxing Gas Company* (嘉興市煤氣公司), the predecessor of our Company and 23 of such individual founders are Employee Shareholders. Please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus for the background of Mr. Sun and Mr. Xu Songqiang (徐松強).

On 23 March 2016, all of the Concert Parties, namely Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) entered into a concert party agreement with respect to their interests in our Company, which was subsequently renewed by the Concert Parties by entering into another concert party agreement on, 16 March 2017, 3 January 2018 and 18 July 2019, respectively. Pursuant to these concert party agreements, Mr. Xu Songqiang, Mr. Liu Zhenxiong, Ms. Xu Yanrui and Ms. Xu Hua, who held approximately 3.07%, 3.07%, 0.39% and 0.19% of the equity interest of our Company, respectively, throughout the Track Record Period, agreed to delegate their voting rights at general meetings of our Company to Taiding, which held approximately 26.42% equity interest of our Company throughout the Track Record Period and up to the Latest Practicable Date, for FY2016, FY2017, FY2018, FY2019 and FY2020. Accordingly, the Concert Parties are deemed to be interested in the interests of each other. As advised by our PRC Legal Advisers, based on a judgment from the Zhejiang Higher People's Court* (浙江省高級人民法院) dated 3 June 2020, Ms. Dai Qinjun (戴琴君) acquired beneficial ownership of 1,415,696 shares of RMB1 each in our Company, representing approximately 1.42% shareholding interests in our Company, out of Mr. Liu Zhenxiong's shareholding interests in our Company. Please refer to the paragraph headed "Establishment and Major Shareholding Changes Concerning Our Company and the Major Operating Subsidiary of Our Company – (e) Transfer of equity interest by Mr. Liu Zhenxiong to Ms. Dai Qinjun" in this section for details. Save as aforesaid, there was no change in the shareholdings of the Concert Parties in our Company throughout the Track Record Period and up to the Latest Practicable Date and their respective shareholdings in our Company are expected to remain unchanged up to immediately prior to completion of the Global Offering. As at the Latest Practicable Date, the Concert Parties as a group of Shareholders owned approximately 31.72% issued share capital of our Company, while City Development owned approximately 32.76% issued share capital of our Company. Immediately following completion of the Global Offering (and assuming that the Over-allotment Option is not exercised at all), the Concert Parties will in aggregate own approximately 23.79% and City Development will own approximately 24.57% of the issued share capital of our Company. Accordingly, there will be no Controlling Shareholders upon Listing.

In preparation for the Listing, our Company was converted into a joint stock limited liability company on 18 January 2017 with a registered capital of RMB100,000,000. Further details of the major corporate development of our Company are set out under the paragraph headed "Establishment and Major Shareholding Changes Concerning Our Company and the Major Operating Subsidiary of Our Company" in this section below.

MILESTONES

The following events are the key business milestones of our Group since our establishment:

Year	Business development
March 1998	Our Company was established in the PRC as a limited liability company.
February 1999	We completed the first electronic PNG gasification station for residential users in Jiaxing.
December 2002	We completed the construction of two central liquefied gas stations, the last of which was the Nanhu central gasification station.
January 2004	Pinghu Natural Gas Co., Ltd.* (平湖市天然氣有限公司) was established in joint venture with Pinghu City Construction Investment Co., Ltd.* (平湖城市建設投資有限公司) and Zhejiang Energy Group City Gas Co., Ltd.* (浙江省能源集團城市燃氣有限公司) for the purpose of distribution and sales of PNG in Pinghu.
May 2004	We established our gas mixing station in Gangshan, Jiaxing.
October 2005	We established our first compressed natural gas station in Xiuzhou District, Jiaxing.
December 2007	We entered into the Jiaxing Urban Area Concession which enabled us to act as the exclusive PNG distributor in Jiaxing Urban Operating Area for a period of 25 years with effect from 1 January 2008.
May 2008	We entered into the Jiaxing Port Area Concession which enabled us to act as the exclusive PNG distributor in Jiaxing Port Operating Area for a period of 25 years with effect from 1 May 2008.
March 2009	We commenced purchasing PNG from Jiaxing Pipeline Company through Deqing-Jiaxing pipeline network
September 2010	Jiaxing Gas and Refuelling Station Co., Ltd.* (嘉興市加油加氣站有限公司) was established in joint venture with Sinopec Sales Co., Ltd* (中國石化銷售股份有限公司) for the purpose of operating natural gas refuelling stations.
August 2016	Jiaran New Energy was established with the view of developing the business in new energy.
January 2017	Our Company was converted to a joint stock limited liability company.

Year	Business development
July 2017	Hangjiaxin was established with the view of implementing the Dushan Port Project.
March 2019	The Dushan Port Project was listed as one of the major projects in Jiaxing under the "Major Service Projects of Zhejiang Service Industry in 2019" (2019年浙江省服務業重大項目計劃) issued by Zhejiang Provincial Development and Reform Commission.

OUR GROUP

As at the Latest Practicable Date, our Group comprised our Company, three wholly-owned subsidiaries, two non-wholly owned subsidiaries, one major joint venture and one subsidiary of our major joint venture. The following table contains information of these entities as at the Latest Practicable Date:

Entity	Date and place of establishment	Amount of registered capital	Principal activities
Our Company	15 March 1998 PRC	RMB100,000,000	Distribution and sales of gas in the Jiaxing Urban Operating Area, the provision of construction and installation services of gas pipeline network in our Own Pipeline Area within the Jiaxing Urban Operating Area.
Subsidiaries			
Jia'an (100% owned by our Company)	19 December 2006 PRC	RMB10,000,000	Distribution and sales of gas pipes and equipment and provision of gas technology consulting service in Jiaxing.
Jiaran Liquefied Gas (100% owned by our Company)	16 April 2012 PRC	RMB5,000,000	Distribution and sales of LPG in Jiaxing.
Jiaran New Energy (100% owned by our Company)	3 August 2016 PRC	RMB20,000,000	Construction and operation of new energy facilities in Jiaxing.

Entity	Date and place of establishment	Amount of registered capital	Principal activities
Jie'an (80% owned by our Company)	4 September 2006 PRC	RMB5,000,000	Transportation of LNG and compressed natural gas in Jiaxing.
Gangqu Gas (65% owned by our Company)	15 August 2003 PRC	RMB16,000,000	Distribution and sales of gas in the Jiaxing Port Operating Area and provision of construction and installation services of gas pipeline network in our Own Pipeline Area within the Jiaxing Port Operating Area.
Major Joint Venture			
Hangjiaxin (51% owned by our Company) *(Note)*	24 July 2017 PRC	RMB700,000,000	Construction and operation of LNG storage and transportation station in Dushan Port.
Subsidiary of our Major Joint Venture			
Hangjia Liquefied Gas (70% owned by Hangjiaxin)	27 December 2019 PRC	RMB30,000,000	No business operation.

Note: We hold the majority of the equity interests in Hangjiaxin. As such, Hangjiaxin is considered as a subsidiary of our Company under the Listing Rules. However, Hangjiaxin is regarded as a joint venture to our Company pursuant to the relevant accounting standards and accounted for under equity accounting method. Please refer to the paragraph headed "Dushan Port Project – Hangjiaxin As Our Joint Venture" in this prospectus for the basis of regarding Hangjiaxin as our joint venture.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES CONCERNING OUR COMPANY AND THE MAJOR OPERATING SUBSIDIARY OF OUR COMPANY

During the Track Record Period, the principal business of our Group had been operated through our Company and two of our subsidiaries, Gangqu Gas and Jiaran Liquefied Gas. The establishment and major shareholding changes concerning our Company, Gangqu Gas and Jiaran Liquefied Gas during the Track Record Period are set out below.

Our Company

(a) Establishment of our Company

Our Company principally engaged in the distribution and sales of gas in the Jiaxing Urban Operating Area, the provision of construction and installation services of gas pipeline network in our Own Pipeline Area within the Jiaxing Urban Operating Area. Our Company was established in the PRC as a limited liability company on 15 March 1998, with an initial registered capital of RMB4,523,529.61. Upon establishment, our Company had 36 registered shareholders who held the equity interest in our registered capital, of which Jiaxing State-owned Assets Administration Bureau, Mr. Sun and Mr. Xu Songqiang (徐松強) were interested in approximately 95.34%, 0.33% and 0.15%, respectively.

Since establishment and up to the commencement of the Track Record Period, as a result of various transfers of equity interest and increase in registered capital of our Company, the registered capital of our Company was increased to RMB100,000,000 and our Company was owned by the following shareholders as at 1 January 2017:

Name of shareholders	Amount of registered capital held	Percentage of equity interest held (approximately)
City Development	RMB32,757,501.73	32.76%
Taiding	RMB26,424,220.76	26.42%
Qianyu	RMB16,094,374.20	16.09%
Xin'ao	RMB7,155,048.54	7.16%
Fengye	RMB5,364,791.40	5.36%
Xu Songqiang (徐松強)	RMB3,069,890.76	3.07%
Liu Zhenxiong (劉振雄)	RMB3,069,890.76	3.07%
Xu Yanrui (許延瑞)	RMB386,298.86	0.39%
Xu Hua (徐華)	RMB186,199.45	0.19%
Other individual shareholders	RMB5,491,783.54	5.49%
	RMB100,000,000.00	100%

Note: As at 1 January 2017, the equity interests of the Company were held by 26 other individual shareholders, each of whom was an Independent Third Party.

(b) Conversion into a joint stock limited liability company

On 30 November 2016, all the then shareholders of our Company entered into a shareholders agreement for (among other matters) the conversion of our Company from a limited liability company into a joint stock limited liability company. Pursuant to the shareholders' resolutions passed by the then shareholders of our Company on 10 January 2017, the share capital of our Company immediately upon the conversion was RMB100,000,000 divided into 100,000,000 shares of RMB1 each, and all the then shareholders of our Company were allotted and issued such number of shares corresponding to the proportion of their respective equity interests in our Company prior to the conversion. The subscription price for these initial shares was based on the net asset value of our Company as at 31 October 2016. The conversion was completed on 18 January 2017 with the issuance of a new business licence to our Company.

The table below sets out certain information on the shareholding arrangement of our Company upon our conversion into a joint stock limited liability company:

Name of shareholder	Number of shares	Shareholding percentage (approximately)
City Development	32,757,502	32.76%
Taiding	26,424,222	26.42%
Qianyu	16,094,374	16.09%
Xin'ao	7,155,049	7.16%
Fengye	5,364,791	5.36%
Xu Songqiang (徐松強)	3,069,891	3.07%
Liu Zhenxiong (劉振雄)	3,069,891	3.07%
Xu Yanrui (許延瑞)	386,299	0.39%
Xu Hua (徐華)	186,199	0.19%
Other individual shareholders	5,491,782	5.49%
Total:	100,000,000	100%

Our PRC Legal Advisers have confirmed that with respect to the conversion of our Company into a joint stock limited liability company, we have completed all the necessary registration filing procedures in compliance with the relevant PRC laws and regulations. Our PRC Legal Advisers are of the view that such conversion was properly and legally completed and was approved by the competent PRC authorities.

(c) Transfer of equity interest by Qianyu to Guangzhou Baocheng

On 8 February 2018, Qianyu and Guangzhou Baocheng entered into an equity transfer agreement for the transfer of 4.20% equity interest in our Company by Qianyu to Guangzhou Baocheng for cash consideration of RMB21,000,000. Such consideration was determined with reference to the agreed assessment of the value of our Company between Qianyu and Guangzhou Baocheng at the time of the transfer and negotiated between the parties on an arm's length basis. The above transfer was completed on 10 May 2018. The table below sets out the shareholding information of our Company immediately following the above equity transfer:

Name of shareholder	Number of shares	Shareholding percentage (approximately)
City Development	32,757,502	32.76%
Taiding	26,424,222	26.42%
Qianyu	11,894,374	11.89%
Xin'ao	7,155,049	7.16%
Fengye	5,364,791	5.36%
Guangzhou Baocheng	4,200,000	4.20%
Xu Songqiang (徐松強)	3,069,891	3.07%
Liu Zhenxiong (劉振雄)	3,069,891	3.07%
Xu Yanrui (許延瑞)	386,299	0.39%
Xu Hua (徐華)	186,199	0.19%
Other individual shareholders	5,491,782	5.49%
Total:	100,000,000	100%

(d) Transfer of equity interest by Qianyu to Zhuji Yujia

On 17 December 2018, Qianyu and Zhuji Yujia (which was a direct wholly-owned subsidiary of Qianyu) entered into an equity transfer agreement for the transfer of 11.89% share capital of our Company by Qianyu to Zhuji Yujia for cash consideration of RMB11,894,374. Such consideration was determined with reference to the nominal value of the Shares as Zhuji Yujia was a wholly-owned subsidiary of Qianyu and negotiated between the parties on an arm's length basis. The table below sets out the shareholding information of our Company immediately following the above share transfer:

Name of shareholder	Number of shares	Shareholding percentage (approximately)
City Development	32,757,502	32.76%
Taiding	26,424,222	26.42%
Zhuji Yujia	11,894,374	11.89%
Xin'ao	7,155,049	7.16%
Fengye	5,364,791	5.36%
Guangzhou Baocheng	4,200,000	4.20%
Xu Songqiang (徐松強)	3,069,891	3.07%
Liu Zhenxiong (劉振雄)	3,069,891	3.07%
Xu Yanrui (許延瑞)	386,299	0.39%
Xu Hua (徐華)	186,199	0.19%
Other individual shareholders	5,491,782	5.49%
Total:	100,000,000	100%

(e) Transfer of equity interest by Mr. Liu Zhenxiong to Ms. Dai Qinjun

Mr. Liu Zhenxiong (劉振雄), being one of the Concert Parties, had been involved in divorce proceedings with his ex-wife since 2017. On 3 June 2020, the Zhejiang Higher People's Court* (浙江省高級人民法院) ruled, among others, that Ms. Dai Qinjun (戴琴君) is entitled to the distribution of 1,415,696 shares of RMB1 each in our Company out of Mr. Liu Zhenxiong's shareholding interests in our Company, representing approximately 1.42% shareholding interests in our Company ("**Dai's Interests**"); while the remaining of Mr. Liu Zhenxiong's shareholding interests in our Company, being approximately 1.65% shareholding interests in our Company, remained to be held by Mr. Liu Zhenxiong ("**Liu's Remaining Interests**"). As advised by our PRC Legal Advisers, according to the judgment, Ms. Dai acquired the beneficial ownership of 1,415,696 shares of RMB1 each in our Company on 3 June 2020. As at the Latest Practicable Date, Liu's Remaining Interests and Dai's Interests were still being frozen by Nanhu District People's Court of Jiaxing City Zhejiang Province* (浙江省嘉興市南湖區人民法院). The completion of the registration procedures, including the filing of a new Articles of Association with the Jiaxing Market Supervision Bureau* (嘉興市市場監督管理局), is conditional upon

Ms. Dai's cooperation to lift the judiciary freeze on such interests for effecting the registration of Mr. Liu and Ms. Dai as the respective registered holders of Liu's Remaining Interests and Dai's Interests. To the best of our Directors' knowledge, as of the Latest Practicable Date, Mr. Liu was in the course of liaising with Ms. Dai for lifting such judiciary freeze so as to complete the requisite registration procedures. Please refer to note 9 to the chart setting out the shareholding and corporate structure of our Group immediately prior to the Global Offering under the sub-section headed "Corporate Structure" in this section for details of the proceedings. The table below sets out the shareholding information of our Company immediately following the above share transfer:

Name of shareholder	Number of shares	Shareholding percentage (approximately)
City Development	32,757,502	32.76%
Taiding	26,424,222	26.42%
Zhuji Yujia	11,894,374	11.89%
Xin'ao	7,155,049	7.16%
Fengye	5,364,791	5.36%
Guangzhou Baocheng	4,200,000	4.20%
Xu Songqiang (徐松強)	3,069,891	3.07%
Liu Zhenxiong (劉振雄)	1,654,195	1.65%
Dai Qinjun (戴琴君)	1,415,696 (Note)	1.42%
Xu Yanrui (許延瑞)	386,299	0.39%
Xu Hua (徐華)	186,199	0.19%
Other individual shareholders	5,491,782	100%
Total:	100,000,000	100%

Note: As at the Latest Practicable Date, these shares were registered under the name of Mr. Liu. Ms. Dai acquired the beneficial ownership of these shares on 3 June 2020.

(f) Issue of H Shares

On 7 January 2020, we obtained the CSRC approval for the issue of not more than 38,341,000 H Shares with a nominal value of RMB1 each under the Global Offering. Immediately after the Global Offering, our issued share capital shall comprise a total of 100,000,000 Domestic Shares and, assuming the Over-allotment Option is not exercised, 33,340,000 H Shares. Assuming the Over-allotment Option is exercised in full, our issued share capital immediately after the Global Offering shall comprise a total of 100,000,000 Domestic Shares and 38,341,000 H Shares.

Gangqu Gas

(a) Establishment of Gangqu Gas

Gangqu Gas principally engaged in distribution and sales of gas in the Jiaxing Port Operating Area and provision of construction and installation services of gas pipeline network in our Own Pipeline Area within the Jiaxing Port Operating Area. It was established in the PRC as a limited liability company on 15 August 2003, with an initial registered capital of RMB8,000,000 which had been fully paid up and was owned as to 65% by our Company and 35% by Jiaxing Zhapu Construction Investment Company Limited* (嘉興市乍浦建設投資有限公司) ("**Jiaxing Zhapu**"). Jiaxing Zhapu was an Independent Third Party, which was a wholly owned subsidiary of Jiaxing Binhai Holding Group Company Limited* (嘉興濱海控股集團有限公司) ("**Binhai Group**"), a state-owned enterprise wholly-owned by Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission* (嘉興市人民政府國有資產監督管理委員會).

Since establishment and up to the commencement of the Track Record Period, as a result of various transfers of equity interest and increase in registered capital of Gangqu Gas, the registered capital of Gangqu Gas was increased to RMB16,000,000, which was owned as to 65% by our Company and as to 35% by Binhai Group.

(b) Shareholding information as at the Latest Practicable Date

There had not been any change in the shareholding information of Gangqu Gas during Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, the shareholding information of Gangqu Gas was as follow:

Name of shareholders	Amount of registered capital held	Percentage of equity interest held (approximately)
Our Company	RMB10,400,000	65%
Binhai Group	RMB5,600,000	35%
Total:	RMB16,000,000	100%

Jiaran Liquefied Gas

(a) Establishment of Jiaran Liquefied Gas

Jiaran Liquefied Gas principally engaged in distribution and sales of LPG in Jiaxing. It was established in the PRC as a limited liability company on 16 April 2012, with an initial registered capital of RMB5 million which had been fully paid and was wholly-owned by our Company.

(b) Shareholding information as at the Latest Practicable Date

There had not been any change in the shareholding information of Jiaran Liquefied Gas since its establishment and up to the Latest Practicable Date. As at the Latest Practicable Date, the shareholding information of Jiaran Liquefied Gas was as follow:

Name of shareholder	Amount of registered capital held	Percentage of equity interest held
Our Company	RMB5,000,000	100%

ESTABLISHMENT OF OUR MAJOR JOINT VENTURE

Hangjiaxin principally engaged in construction and operation of LNG storage and transportation station in Dushan Port. Hangjiaxin was established in the PRC as a joint venture on 24 July 2017, with an initial registered capital of RMB500,000,000. As at the date of establishment, Hangjiaxin was owned as to 34% by our Company, 33% by Hangzhou Gas and 33% by GCL Petroleum (Ping Hu) Holdings Limited* (協鑫石油天然氣(平湖)控股有限公司). As at the establishment of Hangjiaxin, to the best of our Directors' knowledge, information and belief, GCL Petroleum (Ping Hu) Holdings Limited and its ultimate beneficial owner(s) are Independent Third Parties. Pursuant to various transfers of equity interest and increase in registered capital of Hangjiaxin, the registered capital of Hangjiaxin was increased to RMB700,000,000 and, as at the Latest Practicable Date, Hangjiaxin was owned as to 51% by our Company and 49% by Hangzhou Gas. Please refer to the paragraph headed "Dushan Port Project – Background" for details of changes in shareholding information of Hangjiaxin.

As we hold over 50% equity interest in Hangjiaxin, it is our subsidiary under the definition of the Listing Rules. However, Hangjiaxin is regarded as a joint venture to our Company pursuant to the relevant accounting standards and accounted for under equity accounting method. Please refer to the paragraph headed "Dushan Port Project – Hangjiaxin As Our Joint Venture" in this prospectus for the basis of regarding Hangjiaxin as our joint venture.

RELATIONSHIPS AMONG SHAREHOLDERS

Family relationships

Some of the Employee Shareholders as at the Latest Practicable Date were related to each other. The table below sets out the relationship among these persons as at the Latest Practicable Date.

Name	Amount of shares held	Percentage of equity interest held (approximately)	Relationship
Wang Jingren (王經仁)	642,298	0.64%	The spouse of Zhou Jvxiang (周菊香)
Zhou Jvxiang (周菊香)	186,199	0.19%	The spouse of Wang Jingren (王經仁)
Shen Guiqi (沈桂奇)	447,499	0.45%	The spouse of Gu Jianli (顧建麗)
Gu Jianli (顧建麗)	186,199	0.19%	The spouse of Shen Guiqi (沈桂奇)
Yin Peirong (殷培榮)	392,099	0.39%	The father of Yin Haiming (殷海明)
Yin Haiming (殷海明)	70,800	0.07%	The son of Yin Peirong (殷培榮)
Lv Liushun (呂六順)	283,199	0.28%	The father of Lv Jia (呂佳)
Lv Jia (呂佳)	70,800	0.07%	The daughter of Lv Liushun (呂六順)
Chen Lianguan (陳連觀)	186,199	0.19%	The father of Chen Lingling (陳玲玲)
Chen Lingling (陳玲玲)	70,800	0.07%	The daughter of Chen Lianguan (陳連觀)

Concert party agreements

On 23 March 2016, all of the Concert Parties, namely Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) entered into a concert party agreement, which was subsequently renewed by the Concert Parties by entering into another concert party agreement on 16 March 2017, 3 January 2018 and 18 July 2019, respectively. Pursuant to these concert party agreements, Mr. Xu Songqiang, Mr. Liu Zhenxiong, Ms. Xu Yanrui and Ms. Xu Hua, who held approximately 3.07%, 3.07%, 0.39% and 0.19% of the equity interest of our Company, respectively, agreed to delegate their voting rights at general meetings of our Company to Taiding, which held approximately 26.42% equity interest of our Company throughout the Track Record Period and up to the Latest Practicable Date, for FY2016, FY2017, FY2018, FY2019 and FY2020. Accordingly, the Concert Parties are deemed to be interested in the interests of each other after entering into the concert party agreements. As advised by our PRC Legal Advisers, based on a judgment from the Zhejiang Higher People's

Court* (浙江省高級人民法院) dated 3 June 2020, Ms. Dai Qinjun (戴琴君) acquired beneficial ownership of 1,415,696 shares of RMB1 each in our Company, representing approximately 1.42% shareholding interests in our Company, out of Mr. Liu Zhenxiong's shareholding interests in our Company. Please refer to the paragraph headed "Establishment and Major Shareholding Changes Concerning Our Company and the Major Operating Subsidiary of Our Company – (e) Transfer of equity interest by Mr. Liu Zhenxiong to Ms. Dai Qinjun" in this section for details. Save as aforesaid, there was no change in the shareholdings of the Concert Parties in our Company throughout the Track Record Period and up to the Latest Practicable Date and their respective shareholdings in our Company are expected to remain unchanged up to immediately prior to completion of the Global Offering. The Concert Parties have entered into the concert party agreements with a view to consolidate control of our Company and exert greater influence on its management and operation. The Concert Parties believed that the entering into of concert party agreements with a term of one or two years would enable them to (i) have a better understanding as to the operational feasibility of the concert party arrangement, especially for the initial year(s) of the agreement; (ii) build up mutual trust and confidence among the Concert Parties; (iii) regularly evaluate the effectiveness of the concert party agreements in achieving the benefits of the concert party arrangement, and make necessary modifications to the terms thereof if needed; and (iv) allow flexibility in altering the composition to the concert party arrangement, if needed.

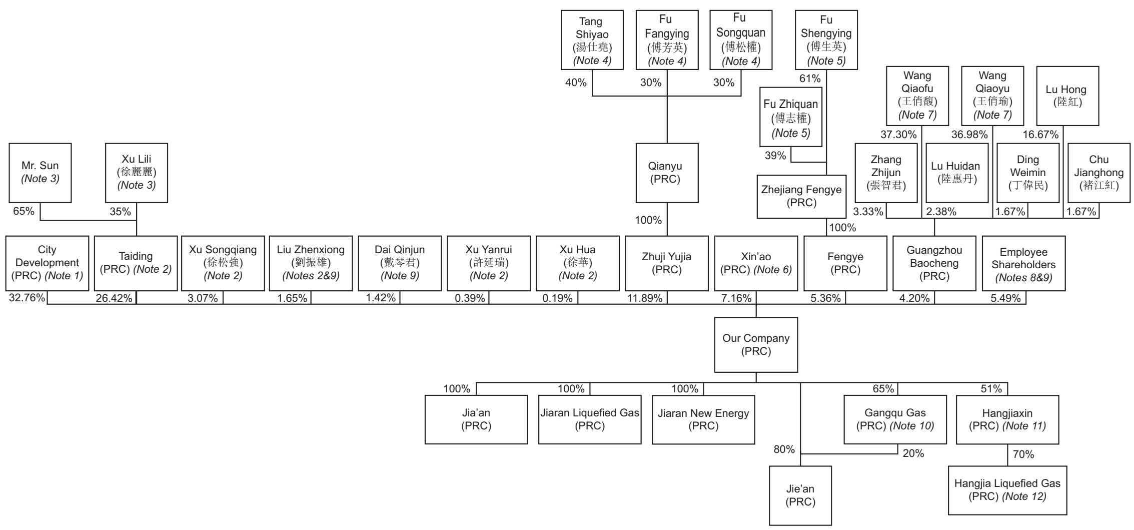
Mr. Liu Zhenxiong's interests in our Company were subject to judiciary freeze as at the Latest Practicable Date. As advised by the PRC Legal Advisers, the judiciary freeze of Mr. Liu Zhenxiong's shareholding interest held in our Company would not (i) affect the legal ownership of such interest by Mr. Liu Zhenxiong, except Mr. Liu would not be able to dispose of any part of his shareholding interests in our Company which are subject to the freezing order; (ii) affect the voting rights of Mr. Liu Zhenxiong at the shareholders' meeting of the Company; (iii) affect the validity or enforceability of the concert party agreements, and hence, the ownership continuity of our Company; (iv) result in any non-compliance of the listing conditions of the Company or affect the issuance or floating of H Shares under the Global Offering under PRC laws and regulations; or (v) have any material adverse impact on the Listing. Please refer to note 9 to the chart under the paragraph headed "Corporate Structure" in this section for details of the judiciary freeze.

As at the Latest Practicable Date, the Concert Parties as a group of Shareholders owned approximately 31.72% issued share capital of our Company. All of them became Shareholders of our Company since September 2005. Immediately following completion of the Global Offering (and assuming that the Over-allotment Option is not exercised at all), the Concert Parties will in aggregate own approximately 23.79% of the issued share capital of our Company. Accordingly, there will be no Controlling Shareholders upon Listing. Please refer to the section headed "Directors, Supervisors, Senior Management and Employees – Board of Directors – Executive Directors" in this prospectus for further details on Mr. Sun, Mr. Xu Songqiang, Ms. Xu Yanrui and Ms. Xu Hua. Furthermore, please refer to the section headed "Relationship with our Major Shareholders" in this prospectus for further details on the Concert Parties.

As advised by our PRC Legal Advisers, the acting-in-concert arrangement between the Concert Parties is legal, valid and binding on the parties thereto.

CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately prior to the Global Offering:



Notes:

1. City Development is a state-owned enterprise.

2. Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) are parties acting in concert (within the meaning under the Takeovers Code) with each other. Please refer to the section headed "Relationship with our Major Shareholders" in this prospectus for further details.

3. Ms. Xu Lili (徐麗麗) is the spouse of Mr. Sun.

4. Ms. Fu Fangying (傅芳英) is the daughter of Mr. Fu Songquan (傅松權). Mr. Tang Shiyao (湯仕堯) is the spouse of Ms. Fu Fangying.

5. Ms. Fu Zhiquan (傅志權) is the brother of Mr. Fu Songquan (傅松權). Ms. Fu Shengying (傅生英) is the daughter of Mr. Fu Zhiquan.

6. Xin'ao is a wholly-owned subsidiary of ENN Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688).

7. Ms. Wang Qiaofu (王俏馥) and Ms. Wang Qiaoyu (王俏瑜) are sisters.

8. Each of the Employee Shareholders is a PRC natural person. The identity and shareholding of each member of the Employee Shareholders prior to completion of the Global Offering are set out as follows:

Name	Relationship with our Group as at the Latest Practicable Date	Number of shares	Shareholding percentage (approximately)
Shen Gensheng (沈根生)	Retired employee	642,298	0.64%
Wang Jingren (王經仁)	Retired employee	642,298	0.64%
Shen Guiqi (沈桂奇)	Retired employee	447,499	0.45%
Yin Peirong (殷培榮)	Retired employee	392,099	0.39%
Wang Haibin (王海斌)	Employee	301,499	0.30%
Dong Xiaohong (董小紅)	Resigned employee	301,499	0.30%
Lv Liushun (呂六順)	Retired employee	283,199	0.28%
Gu Jianli (顧建麗)	Retired employee	186,199	0.19%
Xu Jianliang (徐建良)	Employee	186,199	0.19%
Zhang Xiafen (張霞芬)	Retired employee	186,199	0.19%
Zhou Jvxiang (周菊香)	Retired employee	186,199	0.19%
Guo Li (郭莉)	Retired employee	186,199	0.19%
Wang Wenqin (王文琴)	Retired employee	186,199	0.19%
Chen Lianguan (陳連觀)	Retired employee	186,199	0.19%
Jiang Longgen (姜龍根)	Retired employee	186,199	0.19%
Zhu Xiaofang (祝小芳)	Retired employee	186,199	0.19%
Tan Chengrui (譚成睿)	Employee	141,600	0.14%
Wang Yueming (王月明)	Employee	97,600	0.10%
Lv Jia (呂佳)	Employee	70,800	0.07%
Ma Ping (馬萍)	Resigned employee	70,800	0.07%
Lu Jun (陸軍)	Resigned employee	70,800	0.07%
Yang Kaiyuan (楊凱元)	Resigned employee	70,800	0.07%
Zhang Xueying (張雪英)	Employee	70,800	0.07%
Yin Haiming (殷海明)	Employee	70,800	0.07%
Zhang Jvxian (張菊仙)	Retired employee	70,800	0.07%
Chen Lingling (陳玲玲)	Employee	70,800	0.07%
Total:		5,491,782	5.49%

9. The shareholding interests held by Mr. Liu Zhenxiong (劉振雄), our employee as at the Latest Practicable Date, and Mr. Lu Jun (陸軍) were subject to judiciary freeze as at the Latest Practicable Date.

*Mr. Liu Zhenxiong's shareholding interests in our Company ("**Liu's Interests**")*

In 2017, Ms. Dai Qinjun ("**Ms. Dai**"), the ex-wife of Mr. Liu Zhenxiong, initiated divorce proceedings against Mr. Liu which involved, among others, a claim that Ms. Dai should be entitled to the distribution of a portion of Liu's Interests, as part of the division of the matrimonial assets among Mr. Liu and Ms. Dai upon divorce. In June 2017, the trial court, Nanhu District People's Court of Jiaxing City Zhejiang Province* (浙江省嘉興市南湖區人民法院), ruled that, among others, the Liu's Interests belonged to Mr. Liu Zhenxiong, while Ms. Dai was entitled to compensation of approximately RMB3.7 million from Mr. Liu, being the value of Ms. Dai's share of Liu's Interests. As a result of the trial court's rulings, on 15 June 2017, Mr. Liu Zhenxiong received a freezing order against his bank deposits and cash for one year and immovable assets and other property rights, including Liu's Interests of approximately 3.07%, for three years from the date of the freezing order. Subsequently, Ms. Dai appealed against the trial decisions which involved, among others, a claim that Ms. Dai should be entitled to the distribution of 1,886,649 shares (the "**Disputed Interest**") of RMB1 each in our Company out of Liu's Interests, representing approximately 1.89% shareholding interests in our Company. On 14 December 2018, the appeal court, Jiaxing Intermediate People's Court of Zhejiang Province* (浙江省嘉興市中級人民法院), declared that Liu's Interests belonged to Mr. Liu Zhenxiong and reduced the compensation amount to approximately RMB3.1 million (the "**Compensation**") which shall be settled within ten days from the date of the appeal court's judgment. The Compensation has not been settled as at the Latest Practicable Date. As mentioned below, Zhejiang Higher People's Court has suspended the execution of the appeal court's judgment, including the settlement of the Compensation. Mr. Liu Zhenxiong undertook to our Company that he will use his best endeavours to avoid forced disposal of his remaining interest in the shares of our Company due to his failure to perform or timely fulfill his obligations under the Retrial Judgment (as defined below).

Pursuant to Article 175 of the Civil Procedure Law of the PRC* (中華人民共和國民事訴訟法), the rulings of the people's court of second instance are final. However, on 3 June 2019, Ms. Dai filed a Notice of Civil Application for Retrial* (民事再審申請書) with Zhejiang Higher People's Court* (浙江省高級人民法院) to initiate retrial of the divorce case (the "**Retrial Application**"). According to the Retrial Application, Ms. Dai objected the appeal court's decision and sought for, among others, the retrial court's declaration of Ms. Dai's entitlement to the distribution of the Disputed Interest as part of the division of the matrimonial assets among Mr. Liu and Ms. Dai upon divorce. On 3 June 2020, the retrial court ruled, among others, that Ms. Dai is entitled to the distribution of 1,415,696 shares of RMB1 each in our Company out of Liu's Interests, representing approximately 1.42% shareholding interests in our Company ("**Dai's Interests**"); while the remaining of Mr. Liu Zhenxiong's shareholding interests in our Company, being approximately 1.65% shareholding interests in our Company ("**Liu's Remaining Interests**"), remained to be held by Mr. Liu Zhenxiong (the "**Retrial Judgment**"). As advised by our PRC Legal Advisers, based on the Retrial Judgement, Ms. Dai acquired the beneficial ownership of 1,415,696 shares of RMB1 each in our Company on 3 June 2020. As at the Latest Practicable Date, Liu's Remaining Interests and Dai's Interests were still being frozen by Nanhu District People's Court of Jiaxing City Zhejiang Province. The completion of the registration procedures, including the filing of a new Articles of Association with the Jiaxing Market Supervision Bureau* (嘉興市市場監督管理局), is conditional upon Ms. Dai's cooperation to lift the judiciary freeze on such interests for effecting the registration of Mr. Liu and Ms. Dai as the respective registered holders of Liu's Remaining Interests and Dai's Interests. To the best of our Directors' knowledge, as of the Latest Practicable Date, Mr. Liu was in the course of liaising with Ms. Dai for lifting such judiciary freeze so as to complete the requisite registration procedures.

As advised by our PRC Legal Advisers, a freezing order is a preventive measure of the court commonly taken out by a party to the legal proceedings to restrict the other party to the legal proceedings from disposing of or dealing with that other party's assets with a view to evade enforcement of a court judgment. Accordingly, our PRC Legal Advisers are of the view that the judiciary freeze of Mr. Liu Zhenxiong's shareholding interests in our Company would not:

(i) affect the legal ownership of such interest by Mr. Liu Zhenxiong, except Mr. Liu Zhenxiong would not be able to dispose of any part of his shareholding interests in our Company (i.e. approximately 1.65% shareholding interest in our Company) which are subject to the freezing order;

(ii) affect the voting rights of Mr. Liu Zhenxiong at the shareholders' meeting of our Company;

(iii) affect the validity or enforceability of the concert party agreements;

(iv) result in any non-compliance of the listing conditions of our Company or affect the issuance or floating of H Share under the Global Offering under PRC laws and regulations; or

(v) have any material adverse impact on the Listing.

In relation to the Retrial Judgment, our PRC Legal Advisers are of the view that (i) under the relevant PRC law, the Retrial Judgement would only become legally effective after it has been made and would not have any retrospective impact on the legal ownership of Mr. Liu Zhenxiong's shareholding interests in our Company subject to the freezing order nor the voting rights of Mr. Liu Zhenxiong at the shareholders' meeting of the Company ; (ii) the change in beneficial ownership of 1.42% interest in the Company would not affect the validity or enforceability of the concert party agreements among the parties thereto, and that Mr. Liu Zhenxiong's remaining interest in the shares of our Company, being approximately 1.65% of the entire issued shares of our Company, would continue to be subject to the terms and conditions of the concert party agreements; and (iii) the Retrial Judgment would not result in non-compliance with any listing conditions under the PRC laws or regulations. Mr. Liu Zhenxiong undertook to our Company that he will use his best endeavours to avoid forced disposal of his remaining interest in the shares of our Company due to his failure to perform or timely fulfill his obligations under the Retrial Judgment. On this basis, the Concert Parties as a group of Shareholders would hold approximately 31.72% shareholding interest in our Company from the date of the Retrial Judgment up to immediately before the Listing. Accordingly, our Hong Kong Legal Advisers are of the view that despite the reduction of Mr. Liu Zhenxiong's shareholding interest in our Company pursuant to the Retrial Judgment, our Company would still satisfy the ownership continuity and control requirement under Rule 8.05 of the Listing Rules and HKEX Guidance Letter HKEX-GL-89-16 issued by the Stock Exchange and such court decision would not have any material adverse impact on the Listing for the following reasons:

(a) there was no or would not be any change in the composition of the Concert Parties (i.e., no addition or departure of Shareholders) throughout FY2019 up until immediately before completion of the Global Offering (the "**Relevant Period**");

(b) Taiding, which held approximately 26.42% equity interest of our Company throughout the Relevant Period, remained and would remain as the leader among the Concert Parties throughout the Relevant Period and, despite the reduction of Mr. Liu Zhenxiong's interest of approximately 1.42% of the entire issued shares of our Company immediately before the completion of the Global Offering, and there are no or would not be any material changes in the voting interests in our Company held by each Concert Parties throughout the Relevant Period;

(c) despite the reduction in Mr. Liu Zhenxiong's shareholding interests in our Company resulted in City Development replacing the Concert Parties as our single largest Shareholder, the Concert Parties and City Development, each holding more than 30% of the entire issued share capital of our Company as at the Latest Practicable Date, remain the two separate groups of Controlling Shareholders that exerted management influence on the operations of the Group throughout the Relevant Period and there are no new Controlling Shareholders, as such, the management influence exerted by the Controlling Shareholders had in fact not been changed during the Relevant Period;

(d) despite the reduction in Mr. Liu Zhenxiong's shareholding interests in our Company resulted in City Development replacing the Concert Parties as our single largest Shareholder, the Articles of Association do not confer any additional or special rights to the single largest Shareholder, allowing it to exert any additional influence on the management and control over our Group. The Concert Parties comprised our executive Directors and senior management who have been actively involved in the management of our Company during the Track Record Period and up to the Latest Practicable Date, whereas the board representative of City Development only acted as our non-executive Director. It is expected that the respective management influence exerted by the Concert Parties and City Development would not be changed as a result of the change in our single largest Shareholder; and

(e) such change in our single largest Shareholder did not involve any packaging of business.

*Mr. Lu Jun's shareholding interests in our Company ("**Lu's Interests**")*

Mr. Lu Jun, as a personal guarantor to an outstanding debt owed to an independent individual, was involved in litigation in relation to such debt. As a result of the judgment issued by Nanhu District People's Court of Jiaxing City of Zhejiang Province* (浙江省嘉興市南湖區人民法院) on 20 February 2019, Mr. Lu Jun received a freezing order against his bank deposits of approximately RMB4.6 million and other assets of equivalent value for the period from 5 March 2019 to 4 March 2021.

As advised by our PRC Legal Advisers, the judiciary freeze of Lu's Interests would not affect the legal ownership of such interest held by Mr. Lu Jun, except that Mr. Lu Jun would not be able to dispose of any part of Lu's Interests which are subject to the freezing order (i.e. approximately 0.07% shareholding interest in our Company) during the prescribed period. Given that (i) Lu's Interests are immaterial, which only accounted for approximately 0.07% of the issued share capital of our Company; and (ii) Mr. Lu Jun is neither our Major Shareholders nor our Directors, supervisors or senior management, our PRC Legal Advisers are of the view that the judiciary freeze of Lu's Interests would not have any material adverse impact on the Listing.

10. The remaining 35% equity interest in Gangqu Gas was held by Jiaxing Binhai Holding Group Company Limited* (嘉興濱海控股集團有限公司), which is a state-owned enterprise wholly-owned by Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission* (嘉興市人民政府國有資產監督管理委員會), as at the Latest Practicable Date. The principal business of Jiaxing Binhai Holding Group Company Limited is managing municipal public facilities, managing state-owned asset investment and operating state-owned business. Other than being a shareholder of Gangqu Gas, Jiaxing Binhai Holding Group Company Limited is not related to our Group.

11. The remaining 49% equity interest in Hangjiaxin was held by Hangzhou Gas as at the Latest Practicable Date. Hangzhou Gas is a wholly-owned subsidiary of China Hangzhou Urban Construction Assets Management Company Limited* (杭州市城市建設投資集團有限公司) which is owned as to 98.9% by the Hangzhou Municipal Government* (杭州市政府) and 1.1% China Development Bank* (國開發展基金有限公司). Hangzhou Gas is an investment company which, through its subsidiaries, operated natural gas concession in Hangzhou.

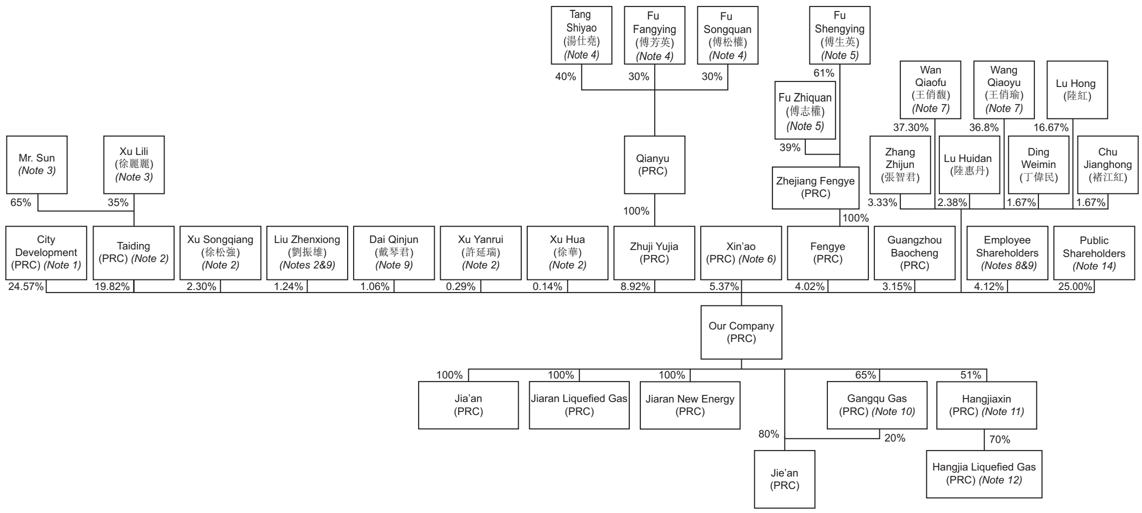
12. The remaining equity interest in Hangjia Liquefied Gas was held as to 21% by Ms. Yao Xiaoying (姚曉英) and 9% by Jiaxing Yunheng Information Technology Company Limited* (嘉興市運恒信息技術有限公司) which was majority-owned by Mr. Sun ultimately. As at the Latest Practicable Date, Hangjia Liquefied Gas had not commenced business operation.

13. Please refer to Note 1 of Section II in the Accountants' Report in Appendix I to this prospectus for further details of our subsidiaries.

14. All percentages shown in this chart are approximate figures.

15. Save as disclosed in this section, all other Shareholders of our Company are Independent Third Parties.

The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

1. City Development is a state-owned enterprise.

2. Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) are parties acting in concert (within the meaning under the Takeovers Code) with each other. Please refer to the section headed "Relationship with our Major Shareholders" in this prospectus for further details.

3. Ms. Xu Lili (徐麗麗) is the spouse of Mr. Sun.

4. Ms. Fu Fangying (傅芳英) is the daughter of Mr. Fu Songquan (傅松權). Mr. Tang Shiyao (湯仕堯) is the spouse of Ms. Fu Fangying.

5. Ms. Fu Zhiquan (傅志權) is the brother of Mr. Fu Songquan (傅松權). Ms. Fu Shengying (傅生英) is the daughter of Mr. Fu Zhiquan.

6. Xin'ao is a wholly-owned subsidiary of ENN Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688).

7. Ms. Wang Qiaofu (王俏馥) and Ms. Wang Qiaoyu (王俏瑜) are sisters.

8. Each of the Employee Shareholders is a PRC natural person. The identity and shareholding of each member of the Employee Shareholders upon completion of the Global Offering are set out as follows:

Name	Number of shares	Shareholding percentage (approximately)
Shen Gensheng (沈根生)	642,298	0.48%
Wang Jingren (王經仁)	642,298	0.48%
Shen Guiqi (沈桂奇)	447,499	0.34%
Yin Peirong (殷培榮)	392,099	0.29%
Xu Yanrui (許延瑞)	386,299	0.29%
Wang Haibin (王海斌)	301,499	0.23%
Dong Xiaohong (董小紅)	301,499	0.23%
Lv Liushun (呂六順)	283,199	0.21%
Gu Jianli (顧建麗)	186,199	0.14%
Xu Jianliang (徐建良)	186,199	0.14%
Zhang Xiafen (張霞芬)	186,199	0.14%
Zhou Jvxiang (周菊香)	186,199	0.14%
Guo Li (郭莉)	186,199	0.14%
Wang Wenqin (王文琴)	186,199	0.14%
Chen Lianguan (陳連觀)	186,199	0.14%
Jiang Longgen (姜龍根)	186,199	0.14%
Zhu Xiaofang (祝小芳)	186,199	0.14%
Tan Chengrui (譚成睿)	141,600	0.11%
Wang Yueming (王月明)	97,600	0.07%
Lv Jia (呂佳)	70,800	0.05%
Ma Ping (馬萍)	70,800	0.05%
Yang Kaiyuan (楊凱元)	70,800	0.05%
Zhang Xueying (張雪英)	70,800	0.05%
Yin Haiming (殷海明)	70,800	0.05%
Zhang Jvxian (張菊仙)	70,800	0.05%
Chen Lingling (陳玲玲)	70,800	0.05%
Total:	5,491,782	4.12%

9. The shareholding interests held by Mr. Liu Zhenxiong (劉振雄), our employee as at the Latest Practicable Date, and Mr. Lu Jun (陸軍) were subject to judiciary freeze as at the Latest Practicable Date. Please refer to note 9 to the chart setting out the shareholding and corporate structure of our Group immediately prior to the Global Offering under the this sub-section for details of the judiciary freeze.

10. The remaining 35% equity interest in Gangqu Gas was held by Jiaxing Binhai Holding Group Company Limited* (嘉興濱海控股集團有限公司), which is a state-owned enterprise wholly-owned by Jiaxing Municipal People's Government State-owned Assets Supervision and Administration Commission* (嘉興市人民政府國有資產監督管理委員會), as at the Latest Practicable Date. The principal business of Jiaxing Binhai Holding Group Company Limited is managing municipal public facilities, managing state-owned asset investment and operating state-owned business. Other than being a shareholder of Gangqu Gas, Jiaxing Binhai Holding Group Company Limited is not related to our Group.

11. The remaining 49% equity interest in Hangjiaxin was held by Hangzhou Gas as at the Latest Practicable Date. Hangzhou Gas is a wholly-owned subsidiary of China Hangzhou Urban Construction Assets Management Company Limited* (杭州市城市建設投資集團有限公司) which is owned as to 98.9% by the Hangzhou Municipal Government* (杭州市政府) and 1.1% China Development Bank* (國開發展基金有限公司). Hangzhou Gas is an investment company which, through its subsidiaries, operated natural gas concession in Hangzhou.

12. The remaining equity interest in Hangjia Liquefied Gas was held as to 21% by Ms. Yao Xiaoying (姚曉英) and 9% by Jiaxing Yunheng Information Technology Company Limited* (嘉興市運恒信息技術有限公司) which was majority-owned by Mr. Sun ultimately. As at the Latest Practicable Date, Hangjia Liquefied Gas had not commenced business operation.

13. Please refer to Note 1 of Section II in the Accountants' Report in Appendix I to this prospectus for further details of our subsidiaries.

14. Our Company has entered into cornerstone investment agreements with certain investors, pursuant to which the Offer Shares to be subscribed for by such cornerstone investors will form part of the International Placing and will be counted towards the public float of our Company. Please refer to the section headed "Cornerstone Investors" in this prospectus for further particulars in relation to such cornerstone investment agreements and such cornerstone investors.

15. All percentages shown in this chart are approximate figures.

OVERVIEW

We are the largest piped natural gas (PNG) operator in Jiaxing (嘉興), a major prefecture-level city in Zhejiang Province, the PRC. Since 2008, as the grantee of the Concessions, we have been the exclusive distributor of PNG in our Operating Area in Jiaxing under the Concession Agreements. Our Operating Area is located within Jiaxing Port Area and Jiaxing Urban Area. Jiaxing Port Area and Jiaxing Urban Area in aggregate occupied approximately 1,041.4 km^2. According to the F&S Report, we were:

– the largest PNG distributor in Jiaxing in terms of PNG sales volume in 2019, with a market share of 22.7% (where the top five PNG distributors in Jiaxing together accounted for 61% of the entire Jiaxing PNG distribution market);

– the fifth largest PNG distributor out of approximately 220 natural gas operators in Zhejiang Province in terms of PNG sales volume in 2019, with a market share of 2.5% (where the top PNG distributor accounted for 5.9% of the market share) *(Note)*; and

– one of the two natural gas concession operators in Zhejiang Province investing in and managing a LNG storage and transportation station to import LNG from overseas.

Note:

The natural gas sales volume in Jiaxing represented 11.0% of the natural gas sales volume in Zhejiang Province, which in turn represented 4.8% of the natural gas sales volume in the PRC in 2019 according to the F&S Report. Please see the paragraph headed "Industry Overview – China, Zhejiang Province and Jiaxing Natural Gas Industry Overview" in this prospectus for details.

During the Track Record Period, our principal business comprised (i) sales of gas, mainly PNG (under the Concessions), LNG and LPG in Jiaxing; (ii) 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; and (iii) others, including provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

We achieved stable growth during the Track Record Period. Our total revenue increased from RMB883.6 million in FY2017 to RMB1,330.3 million in FY2019, representing a CAGR of 22.7% over the three-year period. Our net profit increased from RMB64.3 million in FY2017 to RMB89.4 million in FY2019, representing a CAGR of 17.9% over the same period.

The following table sets forth the breakdown of our revenue by business segment during the Track Record Period:

	FY2017		FY2018		FY2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales of gas						
– PNG	686,816	77.2	985,588	77.9	1,081,889	81.0
– LNG	5,791	0.6	13,601	1.1	11,862	0.9
– LPG	48,049	5.4	87,807	6.9	75,554	5.6
Sub-total	740,656	83.2	1,086,996	85.9	1,169,305	87.5
Provision of construction and installation services *(Note 1)*	106,387	12.0	129,316	10.2	116,146	8.7
Others *(Note 2)*	42,989	4.8	49,160	3.9	50,313	3.8
Total (before government surcharges)	890,032	100.0	1,265,472	100.0	1,335,764	100.0
Less: government surcharges *(Note 3)*	(6,428)		(6,690)		(5,432)	
Total	883,604		1,258,782		1,330,332	

Notes:

(1) On 27 June 2019, the NDRC, the Ministry of Housing and Urban-Rural Development of the PRC and the State Administration for Market Regulation of the PRC jointly issued the Installation Charges Opinions where, upon the implementation of the Installation Charges Opinions by the Jiaxing Development and Reform Commission, our construction and installation fees for residential and non-residential users may be adjusted. Please refer to the paragraphs headed "Regulatory Overview – Pricing of Natural Gas – The price of natural gas in Jiaxing" in this prospectus and "Our Construction and Installation Business – Our construction and installation service agreements and pricing" below in this section for details.

(2) "Others" include provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

(3) "Government surcharges" comprise of business taxes and other surcharges accrued during the Track Record Period.

Jiaxing

Jiaxing is a major prefecture-level city with a total area of 4,275.0 km^2 in Zhejiang Province neighbouring Shanghai, Hangzhou, Huzhou, and Suzhou. As at 31 December 2019, the total population of Jiaxing was approximately 4.8 million. Jiaxing witnessed a rapid growth in its industrial development, mainly in the fields of high-end manufacturing, artificial intelligence and new material industries. Jiaxing has implemented a series of proactive strategies, including tax cuts and simplification of the administrative approval and energy subsidy procedures, according to the "Opinions and Policies on Promoting the High-quality Development of the Industry and Open Economy" (《關於推動工業和開放型經濟高質量發展的政策意見》). According to the F&S Report, the consumption volume of natural gas in Jiaxing has grown at a CAGR of 15.6% from 2014 to 2019, and expects a further growth at a CAGR of 13.2% from 2020 to 2024, which are higher than the growth rates of natural gas consumption in Zhejiang Province at a CAGR of 13.7% from 2014 to 2019 and the projected growth rate at a CAGR of 12.4% for 2020 to 2024.

Our Concessions

We were granted two Concessions, namely the Jiaxing Urban Area Concession and the Jiaxing Port Area Concession, by the relevant Jiaxing local authorities in 2008, under which we obtained exclusive rights to sell and distribute PNG in our Operating Area and to construct urban pipeline network and gas facilities in our Own Pipeline Area which is located in the Operating Area, for an initial term of 25 years from January 2008 and May 2008, respectively, subject to renewal. Please refer to the paragraph headed "The Concessions" in this section for details.

Our Operating Area and Our Own Pipeline Area

Our Operating Area, where we enjoy the exclusive right to sell and distribute PNG, is located within Jiaxing Urban Area and Jiaxing Port Area. Jiaxing Port Area and Jiaxing Urban Area in aggregate occupied approximately 1,041.4 km^2, representing approximately 24.4% of the total area of Jiaxing. However, our Operating Area does not necessarily equate to the entire statutory administrative areas of Jiaxing Urban Area and Jiaxing Port Area. According to the F&S Report, the population density of Jiaxing Urban Area and Jiaxing Port Area, at 1,306 and 1,842 per km^2 respectively, are higher than that of Jiaxing, at 1,106 per km^2. Pursuant to the terms of the Concessions, we also have the exclusive right to construct urban pipeline network and gas facilities in our Own Pipeline Area, which forms part of our Operating Area. Jiaxing Pipeline Company, a direct wholly-owned subsidiary of City Development, our Substantial Shareholder, is responsible for investing in and constructing urban pipeline network and gas facilities in the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area (namely where we do not have the exclusive concession right to construct urban pipeline network and gas facilities) according to our business development plans and strategies. We manage and arrange for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company, and our main responsibilities include (i) tendering for survey and design institutes, raw material suppliers, construction companies and other servicing entities; (ii) assisting in applying for necessary licences and permits; and (iii) arranging for project inspection and audit of the project settlement statement. Since Jiaxing Pipeline Company had invested and owned some pipeline network and gas facilities within the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area at the time we were granted the Jiaxing Urban Area Concession, pursuant to the relevant local government's requirement, Jiaxing Pipeline Company and we entered into a framework agreement, which was annexed to and formed part of the Jiaxing Urban Area Concession, stipulating that Jiaxing Pipeline Company shall lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Operating Area to us for the operation of our PNG business, which the relevant local government had knowledge of and approved. This enables us to operate in a larger area with lesser capital investment. Please see the paragraph headed "Principal PNG Operational Facilities – Pipeline networks" below in this section for details. Please also refer to the section headed "Relationship with Our Major Shareholders" in this prospectus for details of the Pipeline Network Lease Agreements.

Our Principal Business

During the Track Record Period, we generated the majority of our revenue from our PNG operations pursuant to the Concessions, which is the sales of PNG in our Operating Area. For FY2017, FY2018 and FY2019, we generated approximately 77.2%, 77.9% and 81.0% of our revenue (before government surcharges) respectively, from our sales of PNG. We supplied PNG to our retail customers, comprising non-residential users (namely industrial and commercial users) and residential users, with non-residential users being our major customers.

Our PNG purchase price is determined in accordance with the price set by the Jiaxing Municipal People's Government. During the Track Record Period and up to the Latest Practicable Date, we sourced PNG mainly from Jiaxing Pipeline Company. To the best knowledge of our Directors, Jiaxing Pipeline Company is the only PNG wholesaler to sell PNG to PNG distributors in Jiaxing and does not have its own source of PNG other than purchasing PNG from ZNGD, a state-owned enterprise of Zhejiang Province, which will allocate PNG based on the planned purchase volume by different cities in Zhejiang Province. Also, considering the basic necessity of natural gas, the PRC government and its controlled corporations generally will not allow natural gas distributors to suspend natural gas supply. On this basis, we believe that we have a stable source of PNG supply. Please refer to the paragraph headed "Our Source of PNG Supply" in this section for further details.

While Jiaxing Pipeline Company had been our sole direct PNG supplier for the Track Record Period, we supplemented our PNG supply through the gasification of LNG we purchased from other suppliers during peak seasons. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, there were no relevant laws or regulations in the PRC governing the gasification of LNG into PNG. According to the Zhejiang Province Three-Year Action Plan for Natural Gas Development (2018-2020)* (《浙江省天然氣發展三年行動計劃(2018-2020)》), the Zhejiang Municipal People's Government aims to gradually shorten and simplify the supply chain of natural gas and eliminate any unnecessary intermediaries involved in the natural gas supply chain. According to the Several Opinions on Deepening the Reform of the Oil and Natural Gas System (《關於深化石油天然氣體制改革的若干意見》) issued by the State Council in May 2017 and the Opinions on the Implementation of the Operation Mechanism Reform of the Oil and Natural Gas Pipeline Network (《石油天然氣管網運營機制改革實施意見》) proposed by the Seventh Meeting of the Central Comprehensive Deepening Reform Committee on 19 March 2019, the PRC government intends to simplify the intermediary pipeline networks, strengthen the control on transmission cost of the intermediary pipeline networks and promote multi-channel supply of upstream PNG sources. As such, we believe we will have access to more sources of PNG, including gasifying imported LNG into PNG, as a result of the abovementioned policies and the degree of flexibility in our PNG purchase price will increase.

As at 31 December 2019, our urban pipeline network in the Operating Area of approximately 872.6 km comprised 584.1 km of self-invested urban pipeline network and 288.5 km of leased urban pipeline network while approximately 50.3 km of urban pipeline network was under construction, among which 15.1 km was self-invested.

Apart from the sales of PNG, we operate our construction and installation business in Jiaxing by constructing and installing end-user pipeline network and gas facilities for supplying PNG to new residential and non-residential users. We install end-user pipeline network for property developers and owners or occupants of residential and non-residential properties and connect them to the urban pipeline network, allowing them to gain access to PNG.

During the Track Record Period, while we gasified most of the LNG we procured to supplement our supply of PNG, we also sold some LNG on a retail basis to industrial customers in Jiaxing. Additionally, we also sold LPG to customers including LPG trading companies which purchase LPG for their onward sale, and residential and non-residential users.

Investments in operators of natural gas and related business

To capture more growth opportunities in the natural gas market, we have invested in several operators of natural gas and related business at their start-up stage, which are considered either as joint ventures or associates of our Company, details of which are set out in Notes 17 and 18 to the Accountants' Report in Appendix I to this prospectus. For FY2017, FY2018 and FY2019, we recorded RMB7.6 million, RMB8.6 million and RMB7.1 million of share of profit, respectively, from these entities, accounting for 9.1%, 8.9% and 6.0% of our profit before tax for the corresponding periods.

We made our latest significant investment in Hangjiaxin, a joint venture set up in 2017 for the Dushan Port Project, being the construction and operation of a LNG storage and transportation station in Dushan Port, which is a coastal area, for the import and storage of LNG for diversification of our source of LNG and to meet the demand for natural gas in Jiaxing and neighbouring cities such as Shanghai, Hangzhou and Suzhou in the Yangtze River Delta. The expected total capital expenditure for the Dushan Port Project is approximately RMB1,885.2 million, of which RMB583.1 million had been incurred as at 31 December 2019. The remaining capital expenditure will be financed by capital contribution by its shareholders, shareholders loan and project financing including bank loan of Hangjiaxin. As at the Latest Practicable Date, the Group had paid approximately RMB152.45 million as capital contribution to Hangjiaxin. Upon completion, Dushan Port Project is expected to have a storage capacity of LNG of 200,000 m^3 (equivalent to approximately 120 million m^3 of natural gas in gaseous state) and an annual transaction volume of 0.4 million tonnes of LNG and 838.6 million m^3 of natural gas in gaseous state (equivalent to approximately 0.6 million tonnes of LNG), which altogether is equivalent to 1.0 million tonnes of LNG in total.

Reasons for investment in Dushan Port Project

Favourable government policies promoting the use of natural gas – According to the "Strategic Action Plan for Energy Development" (《能源發展戰略行動計劃(2014-2020)》), by 2020, the shares of natural gas and non-fossil energy consumption in China are expected to increase, reaching 10% and 15%, respectively. According to the "13th Five-Year Plan for Energy Development" (《能源發展"十三五"規劃(2016-2020)》), the share of coal consumption is expected to be reduced to below 58.0% by 2020. The above energy planning policies are expected to accelerate the development of China's natural gas industry and gradually optimise the structure of the energy consumption. It is expected that the natural gas consumption will reach 13.2% of the total energy consumption in the PRC in 2024.

Natural gas, which is widely recognised as a more economical, efficient and clean energy source, has been strongly and actively promoted by the PRC government in recent years. With our Concessions in Jiaxing and our investment in the Dushan Port Project for the sales of natural gas (including LNG) as well as other joint ventures and associates engaged in the natural gas industry, we believe that we will continue to benefit from the favourable government policies and industry trends.

Convenient coastal location of Dushan Port to take advantage of the anticipated increase in demand for import of natural gas – China has long been relying on LNG import to sustain its ever increasing natural gas consumption. According to the F&S Report, the consumption volume of natural gas in Zhejiang Province is forecasted to reach 25.7 billion m^3 in 2024, at a CAGR of 12.4% from 2020 to 2024 (compared to 12.0% for the PRC), while the import volume of LNG in Zhejiang Province is expected to achieve 12.0 million tonnes in 2024, at a CAGR of 15.3% from 2020 to 2024. The percentage of LNG import volume in the natural gas consumption of Zhejiang will also witness a further increase and reach 63.5% in 2024. Further, the Ministry of Transport of the PRC announced that Dushan Port is officially open to international navigation ships at the end of 2016, making this port officially open to the international shipping industry. This provides Dushan Port tremendous opportunities and potentials for engaging in natural gas import and international natural gas shipping industries. Leveraging on the convenient coastal location of Dushan Port which is in the core district of Yangtze River Delta, the Dushan Port Project enjoys the advantage of direct import of LNG from overseas suppliers, allowing us to acquire LNG from diversified sources at possibly lower costs.

Expanding our business presence by utilising the LNG storage and transportation station of the Dushan Port Project – Upon the commencement of the operation of the LNG storage and transportation station at Dushan Port, we believe that we can expand our business presence beyond Jiaxing through the Dushan Port Project as we can utilise the LNG storage and transportation station at Dushan Port to supply natural gas to other cities in the Yangtze River Delta. In this regard, Hangjiaxin entered into framework agreements with several natural gas companies in Shanghai, Hangzhou and Suzhou, pursuant to which the parties agreed to (i) cooperate in technical development in respect of LNG storage and transportation facilities construction and management; (ii) consolidate the respective strengths and resources of the parties in LNG trading and transportation; (iii) jointly promote the development of LNG distribution channel in Hangzhou Bay; and (iv) allow Hangjiaxin to connect to their pipelines and supply natural gas to them in Zhejiang Province and Shanghai, Suzhou and Hangzhou. One of the parties also indicated its intention to purchase up to 300 million m^3 of natural gas annually from Hangjiaxin after commencement of the commercial operation of the LNG storage and transportation station at Dushan Port. We believe that through the Dushan Port Project, we will be able to expand our presence to neighbouring cities and benefit from the growth in natural gas transactions with neighbouring cities such as Shanghai, Hangzhou and Suzhou, achieving integration of Yangtze River Delta.

As at the Latest Practicable Date, we invested in and held 51% equity interest in Hangjiaxin, and have the right to appoint four out of seven directors to its board of directors. As such, Hangjiaxin is considered as a subsidiary of our Company under the Listing Rules. However, all matters to be resolved at the general meetings of Hangjiaxin are required by its articles of association to be approved by not less than two-thirds of the voting rights held by the shareholders, and all matters to be resolved at the board meetings of Hangjiaxin are required by its articles of association to be approved by not less than two-thirds of the directors. As a result of the foregoing contractual arrangement, Hangjiaxin is regarded as a joint venture to our Company pursuant to the relevant accounting standards and accounted for under equity accounting method. Our Group would share the operating result of Hangjiaxin according to its equity percentage owned in each of the financial reporting period and recover its investment made principally through the dividend distribution from Hangjiaxin. Please refer to the section headed "Dushan Port Project" in this prospectus for details.

OUR COMPETITIVE STRENGTHS

We are a well-established natural gas operator in Jiaxing with high growth in GDP and natural gas consumption

We are a well-established natural gas operator in Jiaxing and ranked first with a market share of 22.7% in terms of PNG sales volume in 2019 according to the F&S Report. The economy of Jiaxing has been growing at a CAGR of 9.9%, which is higher than that of Zhejiang Province at 9.2% from 2014 to 2019. This was driven by the increase of industrial activities, especially in the fields of new material, energy storage and transportation and electronics. It is expected that the economy of Jiaxing will continue to grow at a CAGR of 8.8% from 2020 to 2024 (compared to 8.0% for Zhejiang Province), and its consumption of natural gas by volume will increase at a CAGR of 13.2% over the same period (compared to 12.4% for Zhejiang Province).

We are one of the main PNG operators in Jiaxing with exclusive right in the Operating Area. Our Operating Area is located within Jiaxing Port Area and Jiaxing Urban Area. Jiaxing Port Area and Jiaxing Urban Area in aggregate occupied approximately 1,041.4 km^2, representing approximately 24.4% of the total area of Jiaxing. However, our Operating Area does not necessarily equate to the entire statutory administrative areas of Jiaxing Urban Area and Jiaxing Port Area. In addition to our PNG business, we have started to handle LPG and LNG since 1998 and 2008, respectively. We believe that our experience in handling gas in different forms enables us to better understand and penetrate into these market segments. These, together with our long operating history and continuous support from municipal government in relation to our development strategy in pipeline construction and leasing, enable us to cater for increasing demands, and furthermore make us well placed to capture the robust growth in natural gas consumption of Jiaxing in terms of increasing sales of natural gas as well as expansion of our construction and installation business to connect new customers.

We have investments in the Dushan Port Project from which we may expand our business presence to other cities in the Yangtze River Delta and enjoy greater flexibility in both purchase and selling price of natural gas

We have invested in other companies in Zhejiang Province which operate natural gas and related business, including sales of piped gas, pipeline construction and maintenance, operation of natural gas refuelling stations and provision of services for clean energy to take advantage of the increasing demand for natural gas in the region. Our latest significant investment was made in Hangjiaxin, a joint venture set up in 2017 for the Dushan Port Project.

The Dushan Port Project is to construct and operate a LNG storage and transportation station in Dushan Port for supplying natural gas to Jiaxing and neighbouring cities in Yangtze River Delta, including Shanghai, Hangzhou and Suzhou. According to the F&S Report, we were one of the two natural gas concession operators in Zhejiang Province investing in and managing such station to import LNG from overseas. As at the Latest Practicable Date, we held 51% equity interest in Hangjiaxin. The expected total capital expenditure for the Dushan Port Project is approximately RMB1,885.2 million. Construction of the facilities commenced in June 2018 and is expected to complete in the second quarter of 2021. Upon completion, Dushan Port Project is expected to have a LNG storage capacity of 200,000 m^3 (equivalent to approximately 120 million m^3 of natural gas in gaseous state) and an annual transaction volume of 0.4 million tonnes of LNG and 838.6 million m^3 of natural gas in gaseous state (equivalent to approximately 0.6 million tonnes of LNG), which altogether is equivalent to 1.0 million tonnes of LNG in total.

According to the F&S Report, the consumption volume of natural gas of Zhejiang Province witnessed a robust increase at a CAGR of 13.7% from 7.8 billion m^3 in 2014 to 14.8 billion m^3 in 2019 and is expected to increase from 16.1 billion m^3 in 2020 to 25.7 billion m^3 in 2024, demonstrating a CAGR of 12.4%.

However, the production of China's natural gas was not able to satisfy the entire market, thus prompting the demand for LNG import. As Zhejiang Province is a coastal province and has established several LNG ports, it is convenient to ship LNG by sea. The import volume of LNG in Zhejiang Province has increased from 1.1 million tonnes in 2014 to 6.0 million tonnes in 2019, at a CAGR of 40.4%, and is expected to further increase at a CAGR of 15.3% from 6.8 million tonnes in 2020 to 12.0 million tonnes in 2024, representing 63.5% of the natural gas consumption in the same year.

We started and invested in the Dushan Port Project owing to (i) the implementation of directions in the government's opinion in relation to, among others, the construction of coastal LNG terminals and storage tanks for the receipt and storage of LNG; (ii) favourable government policies promoting the use of natural gas; (iii) the anticipated increase in demand and shortage in the supply of natural gas; (iv) our plan to diversify our source of supply of natural gas with the flexibility to purchase LNG from overseas when the pricing of which is more competitive; and (v) the less restrictive regulatory regime for LNG, particularly no concession is required for the operating area and that the price at which we purchase and sell LNG can be determined by the market. The Dushan Port Project was listed as one of the major projects in Jiaxing under "The Major Service Projects of Zhejiang Service Industry in 2019" (《2019年浙江省服務業重大項目計劃》) issued by Zhejiang Provincial Development and Reform Commission.

Dushan Port is located at the southeast coastal area of Jiaxing, in the core district of the Yangtze River Delta. Because of its geographical advantage, Dushan Port is actively integrated into several metropolises, including Shanghai, Hangzhou and Suzhou, focusing on industrial synergies and accelerating the process of city-industry integration. The Ministry of Transport of the PRC announced that Dushan Port is officially open to international navigation ships at the end of 2016, making this port officially open to the international shipping industry. This provides Dushan Port tremendous opportunities and potentials for engaging in natural gas import and international natural gas shipping industries.

As one of the two natural gas concession operators in Zhejiang Province operating large scale city PNG pipeline networks, we believe that our investment in the Dushan Port Project, which effectively grants us access to coastal LNG terminal and storage tanks, will not only give us the advantage of directly importing and acquiring LNG from diversified sources at possibly lower costs, but more importantly help expand our business presence beyond Jiaxing to other cities in the Yangtze River Delta.

The strategic mix of capital investments in and the lease of urban pipeline network and gas facilities allow us to operate our PNG business in a cost-effective way

Pursuant to the terms of the Concessions, we are granted the exclusive right to construct urban pipeline network and gas facilities as our investments in our Own Pipeline Area, which forms part of our Operating Area. Jiaxing Pipeline Company, our Substantial Shareholder and sole direct PNG supplier, is responsible for investing in and constructing urban pipeline network and gas facilities in the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area (namely where we do not have the exclusive concession right to construct urban pipeline network and gas facilities) according to our business development plans and strategies. We manage and arrange for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company, and our main responsibilities include (i) tendering for survey and design institutes, raw material suppliers, construction companies and other servicing entities; (ii) assisting in applying for necessary licences and permits; and (iii) arranging for project inspection and audit of the project settlement statement. Since Jiaxing Pipeline Company had invested and owned some pipeline network and gas facilities within the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area at the time we were granted the Jiaxing Urban Area Concession, pursuant to the relevant local government's requirement, Jiaxing Pipeline Company and we entered into a framework agreement, which was annexed to and formed part of the Jiaxing Urban Area Concession, stipulating that Jiaxing Pipeline Company shall lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Operating Area to us for our use and operation of our PNG business, which the relevant local government had knowledge of and approved. As at 31 December 2019, our urban pipeline network in the Operating Area of approximately 872.6 km comprised 584.1 km of self-invested urban pipeline network and 288.5 km of leased urban pipeline network, excluding 50.3 km of urban pipeline network under construction.

As a result, we enjoy the advantage of investing less in pipelines and facilities while still being able to capture more new PNG customers. In other words, lower investment cost would be required for us to expand our outreach to new PNG customers. Thus, we believe that the combination of our capital investments in and the lease of urban pipeline network and gas facilities allow us to operate our PNG business and reach out to more PNG customers in a cost-effective way.

We have an experienced, stable and professional management team supported by highly-skilled employees

Our management team has extensive operational experience and in-depth knowledge of the PRC natural gas industry, under the leadership of Mr. Sun and supported by a strong team of experienced members including Mr. Xu Songqiang, Ms. Xu Yanrui, Mr. Gu Bin, Ms. Xu Hua, Ms. Zhou Caihong, Ms. Liu Meng and Mr. Zhang Chenghong. Our chairman and executive Director, Mr. Sun graduated from Zhejiang University of the PRC, majoring in economics. He has a strong background in public administration as he served in directorial and managerial roles in various PRC government departments and has over 20 years of business management experience in the natural gas industry. Mr. Xu Songqiang, our executive Director and our standing deputy general manager, graduated from Zhejiang University of the PRC with a bachelor's degree in chemical engineering machinery and equipment and has over 25 years of experience in the natural gas industry. Ms. Xu Yanrui is our deputy general manager and financial controller, and has over 20 years of experience in financial management in natural gas industry. Please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus for details.

Our natural gas experts and professional technicians have also obtained professional and academic qualifications and have extensive industry experience. We provide our technicians and other staff members with training to enable them to stay abreast of the latest technological development in the natural gas industry. We believe our experienced management team, by identifying business opportunities and developing effective business strategies, together with our professional technicians and staff, contribute to our success.

OUR STRATEGIES

Enhance our sales of PNG in Jiaxing by upgrading our pipeline network and operational facilities

According to the F&S Report, the population of Jiaxing increased from 4.6 million with an urbanisation rate of 59.2% in 2014 to 4.8 million with an urbanisation rate of 67.4% in 2019, and is expected to reach 4.9 million with an urbanisation rate of 71.0% in 2024. The expected increase in urban population will strengthen the demand for PNG, which is considered as one of the cleanest sources of energy for modern cities. Besides, based on the Advice on Promoting Coordinated and Stable Development of Natural Gas (《國務院關於促進天然氣協調穩定發展的若干意見》國發[2018]31號) promulgated by the State Council, the PRC government will offer more energy cost discounts for enterprises that use natural gas, which will further drive the development of natural gas industry of Jiaxing. To fully capitalise our competitive strength in Jiaxing and capture business opportunities that will arise from the expected increase in population and continuing development in Jiaxing, we intend to further increase our sales of PNG and improve our operational facilities in our existing market in Jiaxing. In particular, we intend to expand our user base in Jiaxing through the upgrade of both urban pipeline network and end-user pipeline network, including pipeline network in old residential districts which are covered by the Concessions, as well as along newly constructed roads capturing new commercial and industrial users which may convert to the use of PNG from other energy sources, subject to compliance, regulatory requirements and market conditions.

Detailed plan of upgrading our pipeline network and operational facilities are as follows:

(i) our Directors have identified certain old residential districts covering approximately 35,400 residential units which we plan to upgrade and connect them with pipeline network and gas facilities in the coming three years after the Listing;

(ii) to correspond with new road planning and constructions, we plan to equip newly constructed roads with medium pressure pipelines of approximately 67km in the coming three years after the Listing; and

(iii) we plan to upgrade our other pipeline network and operational facilities for our PNG business in the coming three years after the Listing, including but not limited to replacing the existing steel gas pipes with full anti-corrosion polyethylene gas pipes, upgrading the system of our emergency repair command centre, establishing a pipeline network operation pressure analysis system, upgrading our industrial and commercial remote meter reading system, and optimising the database module of our pipeline geographical information system.

Our upgrade plan not only includes replacement of obsolete pipeline network and operational facilities, but also (i) construction of new pipelines to connect newly developed areas; and (ii) upgrade of pipeline to satisfy the latest safety regulatory standard or technical requirements and achieve lower maintenance costs in the long run by, in particular, replacing existing steel pipelines with polyethylene pipelines with a view to reduce costs in repair and maintenance of steel pipelines which are prone to corrode. Despite the remaining useful lives of our existing pipeline network and operational facilities range from five to 30 years and from five to 15 years, respectively, we believe our upgrade plan is essential in expanding our user base, enhancing our operational efficiency, ensuring our operational safety is on par with regulatory standard and lower our maintenance costs in this regard in the long run. The above upgrades will be carried out by batches and stages, with reference to, among other things, the operating conditions of individual pipeline or facility being assessed regularly, the remaining useful lives of the pipeline network and operational facilities and the city development plan in Jiaxing. As such, we will be able to continue our operations in substantially the same manner we had been operating during the Track Record Period.

The total capital expenditure for the above strategy is expected to be approximately HK$130.1 million (equivalent to approximately RMB117.3 million). We intend to apply 10% or HK$30.7 million (equivalent to approximately RMB28.0 million) of the net proceeds from the Global Offering to finance this strategy and the remainder will be funded by our own internal resources.

Expand our business to other cities

We intend to expand our business to cities outside Jiaxing through the Dushan Port Project and strategic acquisition(s) or partnership(s). Our strategies to achieve these goals include the following:

Continue our investment in the Dushan Port Project to capture opportunities of sales of natural gas to the neighbouring cities in Yangtze River Delta

As set out in the paragraph headed "Our Competitive Strengths – We have investments in the Dushan Port Project from which we may expand our business presence to other cities in the Yangtze River Delta and enjoy greater flexibility in both purchase and selling price of natural gas" above in this section, we initiated and invested in the Dushan Port Project, namely the construction and operation of a LNG storage and transportation station in Dushan Port for the sales of natural gas in Jiaxing and neighbouring cities in Yangtze River Delta. Commencement of commercial operation is expected to be in the second quarter of 2021. The diversified source of supply of natural gas will also facilitate the expansion of our sales of PNG in Jiaxing as set out in the strategy above.

As at the Latest Practicable Date, we held 51% equity interest in Hangjiaxin, the company established for the implementation of the Dushan Port Project and had made capital contribution of RMB152.45 million as at the Latest Practicable Date. The registered capital of Hangjiaxin remained at RMB700 million as at the Latest Practicable Date of which RMB304.3 million has been paid up and the remaining amount of RMB395.7 million shall be paid up by us and Hangzhou Gas, our joint venture partner, in proportion to their equity interest by July 2067. The expected total capital expenditure for the Dushan Port Project is approximately RMB1,885.2 million (including costs of construction, land and right of use of sea area), of which RMB583.1 million has been incurred by Hangjiaxin as at 31 December 2019.

We intend to apply 80% or HK$245.2 million (equivalent to RMB224.3 million) of the net proceeds from the Global Offering, of which RMB204.6 million will be used to fund our payment of registered capital of Hangjiaxin and the remainder will be provided to Hangjiaxin by way of shareholder's loan by batches by 2021, both of which are for funding the capital expenditure expected to be incurred for the Dushan Port Project.

Selectively pursue strategic acquisition or partnership opportunities in respect of operators in natural gas, new energy and related industry

To expand our geographic coverage, we plan to selectively pursue strategic acquisition or partnership opportunities in respect of small and medium-sized operators engaging in the natural gas and related industry in neighbouring areas in Yangtze River Delta. Before we make any acquisition or enter into any strategic partnership, we will conduct preliminary review and feasibility study on the potential target to consider, assess and decide on whether to make such investment. In assessing any strategic acquisition or partnership opportunities, we will carefully consider a variety of factors with respect to the target company and its business location, including the following: (i) the quality of its assets and business; (ii) the cost and benefit of the acquisition or partnership and our internal financial requirements, taking into account our corporate strategy and long-term plan; (iii) the synergy between our existing operations and potential targets in terms of infrastructure, technology, know-how, management expertise and business compatibility; (iv) whether the target company has secured any PNG supply; (v) whether it has a stable customer base; (vi) its geographical proximity to our existing operations; (vii) the possibility of enhancing the overall competitiveness and sustainability of our existing and future business; and (viii) the size and population of the city in which it is located.

If the acquisition or partnership target meets the criteria of our preliminary assessment, we will engage qualified PRC legal advisers to advise us on any potential legal issues in relation to the acquisition or partnership and to ensure that the acquisition or partnership and operation of the target company will not give rise to any non-compliance with any applicable law or regulation. If any acquisition or partnership materialises, we intend to enhance the performance of the acquired or partnership companies by sharing our extensive industry experience, implementing our operation model, and reorganising their corporate governance structure to help them integrate into our operations. We believe this strategy will enable us to maintain our growth in the future.

As at the Latest Practicable Date, we did not have any specific acquisition or partnership targets, plans or a definite timeline and had not entered into any definitive agreement or engaged in any active discussion with any potential target. According to Frost & Sullivan, there are over 40 natural gas companies of different sizes in Jiaxing and neighbouring cities such as Huzhou, Hangzhou, Ningbo and Shaoxing, any of which can be our acquisition or partnership targets, subject to the above considerations. We will particularly focus on small and medium-sized natural gas companies in consideration of a more effective integration with our current business. We expect to make such acquisition or enter into such strategic partnership once we identify a suitable target. We intend to implement the above strategy with our internal resources..

Improve efficiency in and enhance safety of our existing operation

We will continue to enhance the safety of our natural gas facilities and systems by purchasing more natural gas safety equipments, such as pipeline leakage detectors and emergency repair vehicles, so as to prevent potential safety hazards and to prevent the occurrence of accidents. We will continue to maintain our pipelines and other facilities in safe and operating condition.

Further, we will continue to improve and standardise our management system with operational objectives. We will continue to maintain and improve our systems for safety management and operational procedures for staff in all relevant positions to identify and minimise any potential risks and to monitor the sources of any potential accident. To implement the above, we also consider to further increase our recruitment efforts to attract new talents, continue to offer on-the-job-training to our staff, and refine the division of work, with the aim of securing and retaining human resources for our safety operation and enhancing our overall operational efficiency.

OUR BUSINESS MODEL AND SEGMENTS

During the Track Record Period, our principal business is as follows:

Business	Customers
Sales of gas, mainly PNG in Jiaxing (under the Concessions), LNG and LPG	Residential and non-residential users of gas, principally in Jiaxing
Provision of construction and installation services to construct and install end-user pipeline network and gas facilities	Including property developers and owners or occupants of residential and non-residential properties
Other business, including provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties	Customers who require such services or products. Please refer to the paragraph headed "Other Businesses" in this section

For the breakdown of our revenue by business segments during the Track Record Period, please refer to the paragraph headed "Overview" in this section.

OUR GAS BUSINESS

Jiaxing and its neighbouring region

Jiaxing is a major prefecture-level city in northern Zhejiang Province bordering Shanghai to the northeast and Hangzhou to the southwest. It has a total area of 4,775.0 sq.km. and had a population of around 4.8 million with an urbanisation rate of 67.4% as at 31 December 2019. Due to its fast growing economy in the past few years, the industrial added value in Jiaxing has increased from RMB163.4 billion in 2014 to RMB257.6 billion in 2019, representing a CAGR of 9.5%. Attributed to the increased economy development and government support, the industrial added value of Jiaxing is forecasted to be RMB267.9 billion in 2020 and will reach RMB366.4 billion by 2024, representing a CAGR of 8.1%. Zhejiang Province enjoys the favourable location and convenient transportation which enhance its collaboration with overseas suppliers. With the integration of Yangtze River Delta, Zhejiang Province and its cities such as Jiaxing will experience a rapid growth in the natural gas industry.

Our PNG sale operations in Jiaxing

We have an operating history of over 20 years in Jiaxing. Our PNG sale business in Jiaxing has developed since 2005, when our first compressed natural gas station was put into operation, with increasing policy support for development of urban natural gas supply industry. We also commenced staged preparation of pipelines for PNG sale, which continued after we obtained the Jiaxing Urban Area Concession in December 2007. In April 2008, we were further granted the right to expand our PNG sale business under the Jiaxing Port Area Concession. Pursuant to the Concessions, we have the exclusive rights to sell and distribute PNG in our Operating Area. Our Operating Area is located within Jiaxing Port Area and Jiaxing Urban Area. Jiaxing Port Area and Jiaxing Urban Area in aggregate occupied approximately 1,041.4 km^2, representing approximately 24.4% of the total area of Jiaxing, which does not necessity equate to the area of our Operating Area. However, we were only granted the exclusive right to construct urban pipeline network in our Own Pipeline Area within our Operating Area. Jiaxing Pipeline Company, which is a direct wholly-owned subsidiary of City Development, our Substantial Shareholder, is responsible for investing in and constructing urban pipeline network and gas facilities in the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area (namely where we do not have the exclusive concession right to construct urban pipeline network and gas facilities) according to our business development plans and strategies. We manage and arrange for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company, and our main responsibilities include (i) tendering for survey and design institutes, raw material suppliers, construction companies and other servicing entities; (ii) assisting in applying for necessary licences and permits; and (iii) arranging for project inspection and audit of the project settlement statement. Since Jiaxing Pipeline Company had invested and owned some pipeline network and gas facilities within the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area at the time we were granted the Jiaxing Urban Area Concession, pursuant to the relevant local government's requirement, Jiaxing Pipeline Company and we entered into a framework agreement, which was annexed to and formed part of the Jiaxing Urban Area Concession, stipulating that Jiaxing Pipeline Company shall lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Operating Area to us for our use and operation of our PNG business, which the relevant local government had knowledge of and approved. Since 2009, we have been leasing urban pipeline network and gas facilities owned by Jiaxing Pipeline Company in the Jiaxing Urban Operating Area which we are responsible for the maintenance and repairs of such leased pipelines. This enables us to operate in a larger area with lesser capital investment. Pursuant to the Pipeline Network Lease Agreements with Jiaxing Pipeline Company, we are entitled to lease the pipeline network invested by Jiaxing Pipeline Company in the Jiaxing Urban Operating Area up to 31 December 2032.

The following table sets forth certain general information of Jiaxing Urban Area and Jiaxing Port Area:

	Jiaxing Urban Area	Jiaxing Port Area
Approximate area (km^2)	987	54.4
Percentage of area out of total area of Jiaxing (%)	23.1	1.3
Approximate population ('000)	1,290	100

The following table sets forth certain information of our Operating Area and Own Pipeline Area under the Concessions:

	Jiaxing Urban Area Concession	Jiaxing Port Area Concession
Operating Area	The area where we are granted exclusive right for the operation and management of medium and low pressure piped gas through both self-invested and leased urban pipelines in Jiaxing Urban Area which occupies approximately 987 km^2 *(Note)*, namely the "Jiaxing Urban Operating Area", which, as at 31 December 2019, covered: – 794.4 km of urban pipeline network in use; and – 47.4 km of urban pipeline network under construction	The area where we are granted exclusive right for the operation and management of high, medium and low pressure piped gas through both self-invested and leased urban pipelines in Jiaxing Port Area which occupies approximately 54.4 km^2 *(Note)*, namely the "Jiaxing Port Operating Area", which as at 31 December 2019, covered: – 78.2 km of urban pipeline network in use; and – 2.9 km of urban pipeline network under construction
Own Pipeline Area	The area within the Jiaxing Urban Operating Area where we are granted the exclusive right to construct urban pipeline network and gas facilities belonging to us, which: – comprises (i) the Central City and part of Nanhu New District that have been developed within the Third Ring Road; (ii) Xiuzhou New District Phase II; and (iii) Daqiao Town; and – covered 518.1 km of self-invested urban pipeline network as at 31 December 2019	The area within the Jiaxing Port Operating Area where we are granted the exclusive right to construct urban pipeline network and gas facilities belonging to us, which: – comprises (i) east to the border of Zhapu Town and Huanggu Town, west to the junction of Zhapu Town and Haiyan Town, north to the Hangzhou – Pudong Expressway and south to the north bank of Hangzhou Bay; and (ii) the whole Jiulong Mountain Tourist Resort; and – covered 81.1 km of self-invested urban pipeline network as at 31 December 2019
Approximate length of self-invested urban pipelines (as at 31 December 2019)	In use: 505.9 km Under construction: 12.2 km	In use: 78.2 km Under construction: 2.9km
Approximate length of leased urban pipelines (as at 31 December 2019)	In use: 288.5 km Under construction: 35.2 km	Nil

Note: The sizes of Jiaxing Urban Area and Jiaxing Port Area are for illustrative purpose. Our Operating Area does not necessarily equate to the entire statutory administrative areas of Jiaxing Urban Area and Jiaxing Port Area.

The following table sets forth the breakdown of our revenue from sales of PNG by Operating Area during the Track Record Period:

	FY2017		FY2018		FY2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Jiaxing Urban Operating Area	635,780	92.6	884,308	89.7	988,496	91.4
Jiaxing Port Operating Area	51,036	7.4	101,280	10.3	93,393	8.6
Total	686,816	100.0	985,588	100.0	1,081,889	100.0

THE CONCESSIONS

Pursuant to the Measure for the Administration on the Franchise of Municipal Public Utilities (《市政公用事業特許經營管理辦法》) and Zhejiang Gas Management Regulation* (《浙江省燃氣管理條例》), we entered into the Concession Agreements with the local government of Jiaxing whereby we were granted the exclusive right to sell and distribute PNG in our Operating Area and to construct urban pipeline network in our Own Pipeline Area. Some of the key terms of our Concessions are set forth below:

		Jiaxing Urban Area Concession	**Jiaxing Port Area Concession**
Concession period	:	25 years, commencing from 1 January 2008 to 31 December 2032, subject to renewal	25 years, commencing from 1 May 2008 to 30 April 2033, subject to renewal
Concession grantor	:	Jiaxing Planning and Construction Bureau* (嘉興市規劃與建設局), subsequently renamed as Jiaxing Urban and Rural Construction Bureau* (嘉興市住房和城鄉建設局)	Jiaxing Port Area Planning Construction Bureau* (嘉興港區規劃建設局) ("**PAPCB**")
Concession grantee	:	Our Company	Gangqu Gas, a non-wholly owned subsidiary of our Company

		Jiaxing Urban Area Concession	Jiaxing Port Area Concession
Operating Area and business scope	:	(i) operation and management of medium and low-pressure piped gas in Jiaxing Urban Operating Area, including sales of PNG and LPG to users by means of pipeline distribution; and (ii) operation, maintenance, repair and emergency services of related pipeline facilities	(i) operation and management of high, medium and low-pressure piped gas in Jiaxing Port Operating Area, including sales of PNG, LPG and other gaseous fuels to users by means of pipeline distribution; and (ii) operation, maintenance, repair and emergency services of related pipeline facilities
Own Pipeline Area under the Concession	:	We are responsible for the construction and investment of the pipelines and facilities in Jiaxing Urban Operating Area including: (i) The Central City and part of Nanhu District; (ii) Part of Xiuzhou District; and (iii) Daqiao Town See "Definition – Own Pipeline Area" in this prospectus for details.	We are responsible for the construction and investment of the pipelines and facilities in Jiaxing Port Concession Area including Zhapu Town and Jiulong Mountain Tourist Resort See "Definition – Own Pipeline Area" in this prospectus for details.

Pricing of the PNG sale : We shall follow the maximum end-user price determined by the relevant government authorities at which we could sell PNG to the end-users. The fee we charge our customers are calculated based on the unit price as agreed between us and our customers (which shall not exceed the maximum end-user price at the relevant time) times the volume of PNG used in m^3.

		Jiaxing Urban Area Concession	Jiaxing Port Area Concession
Renewal	:	Renewal will be subject to the negotiation between us and the Concession Grantors. Pursuant to the Concession Agreements, we shall enjoy a preferential right for renewal of the concessions unless we are materially in breach of any applicable laws and regulations or the stipulations of the Concession Agreement, or we do not provide continuous, safe and stable supply of PNG as stipulated in the Concession Agreements.	
Ownership of natural gas facilities	:	During the Concession period, we retain the ownership of the urban pipeline network and gas facilities which we have invested in and constructed under the Concession Agreements (the "**Urban Natural Gas Facilities and Assets**"). In the event that any of the Concession Agreements is terminated or not renewed pursuant to the exercise of our preferential right for renewal, the Concession Grantor concerned shall buyback the Urban Natural Gas Facilities and Assets at the assessed value determined by a third-party assets valuation authority jointly appointed by the Concession Grantor and us.	
Termination	:	The Concession Agreements can be terminated upon mutual agreement of the parties to the agreements. The Concession Grantors also have the right of early termination of the Concessions under certain circumstances, which include: (i) unauthorised transfer or lease of the Concession; (ii) unauthorised dealing in or pledge of the Urban Natural Gas Facilities and Assets; (iii) serious quality or production safety incidents due to our poor management; (iv) unauthorised suspension of business by us that seriously affects public interest and safety; and (v) our engagement in any unlawful conduct.	

For construction and leasing of urban pipeline network and gas facilities in the Jiaxing Urban Operating Area outside of our Own Pipeline Area, please refer to the paragraph headed "Our Gas Business – Our PNG sale operations in Jiaxing" in this section for details.

There is no assurance that any of the Concession Agreements will not be terminated before the expiration dates or that we will be successful in renewing any of the Concession Agreements or at all. If any of the Concession Agreements are terminated for whatever reason before expiration, or we fail to renew any of them upon expiration, our business, financial condition and operating results will be materially and adversely affected. See the paragraph headed "Risk Factors – Risks Relating to Our Sales of Gas, Construction and Installation and Other Businesses – 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." in this prospectus for details of the risk associated with our business operated under the Concessions.

Our PRC Legal Advisers have opined that Jiaxing Planning and Construction Bureau* (嘉興市規劃與建設局), subsequently renamed as Jiaxing Urban-Rural Construction Bureau* (嘉興市住房和城鄉建設局) ("**Jiaxing URCB**"), and PAPCB are the competent authorities which shall be responsible for implementation of the licensing of PNG operation in Jiaxing Urban Area and Jiaxing Port Area. They have been authorised by the Jiaxing Municipal People's Government and Jiaxing Port Area Development and Construction Management Committee* (嘉興港區開發建設管理委員會) ("**Jiaxing PADCMC**"), respectively, to enter into the Concession Agreements with us. The terms of the Concession Agreements are in compliance with the applicable laws, and the Concession Agreements are valid and legally binding on the parties thereto. Further, our Company and Gangqu Gas have obtained the Certificate for Gas Operation granted by the competent authorities in respect of gas business in accordance with the Concession Agreements and we have obtained confirmations from the relevant competent authorities below regarding the legal validity of the Concession Agreements. Accordingly, we shall have the legal right of the Concessions under the Concession Agreements.

According to the Measures for the Administration on the Franchise of Municipal Public Utilities (《市政公用事業特許經營管理辦法》) and the Measures for the Administration of Concession for Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》) (the "**Concession Rights Measures**"), government authorities should select investors or operators of municipal public utilities projects through competitive modes such as public bidding and competitive negotiation according to relevant regulations, and enter into concession agreements to grant concession rights with them. However, the Concessions we acquired were not through any competitive modes. As advised by our PRC Legal Advisers, the Concession Rights Measures provide no penalty for acquisition of concession rights without adopting competitive methods.

According to the Measures for the Administration of Concession for Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》), the Regulations on the Administration of Gas in Zhejiang Province (《浙江省燃氣管理條例》) and the standard format of a franchise operation contract, published by the MOFCOM with respect to city pipeline gas supply for guidance, the concession contract shall contain certain main provisions. See the paragraph headed "Regulatory Overview – Concession in Municipal Public Utilities Projects" in this prospectus for further details. The original Concession Agreements we entered into did not contain all the main provisions as required. However, we subsequently entered into supplemental concession agreements with Jiaxing URCB and PAPCB on 8 May 2019 to include all the main provisions as required under the PRC laws.

Further, we had been supplying PNG in Jiulong Mountain Tourist Resort before we amended the business scope of the Certificate for Gas Operation of Gangqu Gas to cover the area of Jiulong Mountain Tourist Resort as our business area. According to Article 45 of the Regulations on Town Gas Management* (《城鎮燃氣管理條例》), if the Certificate for Gas Operation is not obtained for any gas business activities, the relevant authority shall order the company to cease the illegal act and impose a fine of not less than RMB50,000 but not more than RMB0.5 million, and confiscate any illegal income.

In respect of the abovementioned issues, Jiaxing URCB issued a confirmation on 8 May 2019 stating that (i) the Concession Agreements are legal and effective; (ii) we have the legal Concession rights under the Concession Agreements; (iii) we had complied with the terms of the Concession Agreements and had not been subject to any penalties in this regards; and (iv) the Concessions will not be invalidated or terminated prematurely and we will not be penalised for the abovementioned issues. Our Directors also confirm that, from the date of commencement of our operation and up to the Latest Practicable Date, we were in compliance with the terms of the Concession Agreements in all material respects and were not aware of any circumstances which may lead to a material breach or otherwise an early termination of the Concession Agreements.

Further, on 26 September 2019, the PAPCB and Jiaxing PADCMC issued a confirmation confirming that (i) the Jiaxing Port Area Concession continued to be legal and valid; (ii) the Concession rights under Jiaxing Port Area Concession had not been and will not be revoked, withdrawn, altered, restricted, prematurely terminated or invalidated; and (iii) the income generated from PNG supply in Jiulong Mountain Tourist Resort before we amended the business scope of the Certificate for Gas Operation will not be recognised as illegal income and we had not been and will not be penalised for the abovementioned issues.

In respect of the abovementioned issues, the Concert Parties have agreed to indemnify us for all claims, costs, expenses and losses incurred by us arising from the abovementioned issues.

According to our PRC Legal Advisers, Jiaxing URCB, PAPCB and Jiaxing PADCMC are the competent authorities to issue the respective confirmations and our Concessions are legal and valid. Based on (i) the abovementioned confirmations; and (ii) the indemnity given by the Concert Parties, our PRC Legal Advisers are of the view that the abovementioned issues will have no material adverse impact on our operations, and thus there is no material impact to the Listing.

OUR SALES OF PNG

For FY2017, FY2018 and FY2019, 77.2%, 77.9% and 81.0%, respectively, of our revenue (before government surcharges) were generated from our sales of PNG business, respectively. The following table sets forth the breakdown of our revenue from our sales of PNG by user category during the Track Record Period:

	FY2017		FY2018		FY2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Industrial	501,920	73.1	768,206	78.0	836,623	77.3
Commercial	87,157	12.7	100,814	10.2	113,315	10.5
Residential	97,739	14.2	116,568	11.8	131,951	12.2
Total	686,816	100.0	985,588	100.0	1,081,889	100.0

The following table sets forth the breakdown of volume of PNG sold by us by user category during the Track Record Period:

	FY2017		FY2018		FY2019	
	Volume (million m^3)	%	Volume (million m^3)	%	Volume (million m^3)	%
Industrial	197.5	75.3	301.0	79.9	283.9	77.7
Commercial	30.0	11.4	33.8	9.0	34.6	9.4
Residential	34.9	13.3	41.7	11.1	47.0	12.9
Total	262.4	100.0	376.6	100.0	365.4	100.0

All our PNG was sold to customers on a retail basis, who purchases PNG from us for their own consumption. During the Track Record Period, we sold PNG to industrial, commercial and residential users.

- **Industrial users**: During the Track Record Period, our sales of PNG to industrial users accounted for the majority of our revenue from sales of PNG. Our major industrial customers during the Track Record Period included companies engaged in glass, steel, chemical and food manufacturing industries.

- **Commercial users**: Our major commercial customers during the Track Record Period mainly included restaurants, hotels, shopping malls, banks and public facilities.

- **Residential users**: Residential users are generally households living in residential properties which are connected to our pipeline networks.

We generally enter into agreements with all our customers in relation to our supply of PNG to them. Except for the residential users' agreements which have no fixed terms, these agreements are typically for a term up to 31 December 2032 or annually renew basis, negotiated on a case by case basis, and generally provide for the unit price of the PNG payable by the users agreed between the parties, subject to adjustment, which is in accordance with the price cap set by the relevant government authorities and with reference to the metered amount of consumed PNG, which we will take record of one to four times a month for non-residential users and once every two months for residential users. We generally allow credit period up to one month for our non-residential users and up to two months for our residential users. Non-residential users usually have the right to terminate the supply agreement at any time by written notification to us.

The table below sets forth the number of customers by user category connected to our pipeline network during the Track Record Period:

	As at 31 December		
Number of customers	**2017**	**2018**	**2019**
Industrial users	242	293	337
Commercial users	1,010	1,234	1,326
Residential users	295,007	321,771	347,275
Total:	296,259	323,298	348,938

While the number of residential users far exceeds the number of non-residential users, namely the industrial and commercial users, the non-residential users contribute to majority of our revenue, sales volume and earnings due to the fact that such users generally consume higher quantity of PNG per user as compared to residential users.

OUR SOURCE OF PNG SUPPLY

Natural gas is the major raw material for our PNG sale business. The amount of natural gas we purchase is dependent on the level of consumption of our customers. When our customers consume PNG, the pressure in our pipelines will decrease and our natural gas processing stations or the city gateway station which regulate the inflow of natural gas from our supplier's network will automatically adjust the inflow of natural gas to maintain the pressure in our pipelines.

During the Track Record Period, we purchased PNG from Jiaxing Pipeline Company which, to the best of our Directors' knowledge, is the only upstream supplier of PNG connected to our pipeline within the Operating Area. In addition, we have also sourced LNG from various suppliers to supplement our PNG sale during peak seasons. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, there were no relevant laws or regulations governing the gasification of LNG into PNG, and prior consent from the government and/or Jiaxing Pipeline Company was not required for us to acquire LNG from third parties for distribution of gasified LNG through the PNG pipeline networks for peak adjustment purpose. We store our LNG inventory in our LNG storage stations. If we need to supplement our PNG supply, the LNG will be gasified by heat through gasification facilities at LNG storage stations and transmitted into our pipeline. Please also refer to the paragraph headed "Our relationship with Jiaxing Pipeline Company" below.

The following table sets forth the volume and cost of PNG and LNG we purchased during the Track Record Period:

	FY2017		FY2018		FY2019	
	Volume *(million m³)*	**Costs** *(RMB'000)*	**Volume** *(million m³)*	**Costs** *(RMB'000)*	**Volume** *(million m³)*	**Costs** *(RMB'000)*
PNG	264.5	543,632	384.3	832,088	361.8	886,986
LNG	4.5	12,085	8.0	23,019	19.3	45,643
Total	269.0	555,717	392.3	855,107	381.1	932,629

In 2018, the NDRC and the National Energy Administration promulgated the Advice on Accelerating the Construction of Gas Storage Facilities and Improving the Market Mechanism of Gas Storage and Peak Adjustment Auxiliary Services (《關於加快儲氣設施建設和完善儲氣調峰輔助服務市場機制的意見》發改能源規[2018]637號), which encouraged city gas enterprises to establish natural gas reserves and maintain the capacity of storing natural gas of not less than 5% of their annual consumption volume by 2020. In light of the ever increasing demand for natural gas in the PRC, and relevant government policies (including the Several Opinions on Deepening the Reform of the Oil and Natural Gas System (《關於深化石油天然氣體制改革的若干意見》) and the Opinions on the Implementation of the Operation Mechanism Reform of the Oil and Natural Gas Pipeline Network (《石油天然氣管網運營機制改革實施意見》)) promoting multi-channel supply of upstream PNG sources, we began to increase our LNG purchase for peak adjustment starting from 2018, which was stored in our LNG storage stations to supplement our PNG sale during peak seasons. However, we did not expand the sourcing of local LNG for our sale of PNG business in the past as (i) the sales of PNG through gasification of LNG during the Track Record Period were generally for peak adjustment purpose; and (ii) the gross profit margin of selling PNG through gasification of LNG was generally lower than that of through sourcing PNG and was generally unstable as the price at which we purchased and sold LNG was determined by the market under the less restrictive regulatory regime for LNG. In other words, there was no guarantee that we would be able to achieve reasonably low costs in sourcing local LNG given that we only procured relatively small amount of LNG locally for peak adjustment purpose during the Track Record Period. Upon commercial operation of the Dushan Port Project, in order to have a better control on the LNG procurement costs, Hangjiaxin intends to consolidate the LNG purchases with other natural gas companies, through strategic cooperation, to obtain more favourable terms and bulk purchase discounts from overseas suppliers in countries nearby such as Malaysia, Japan and Korea. As such, our Directors believe that we can achieve lower costs in sourcing LNG in the future.

The following table sets forth the volume of gasified LNG, the corresponding costs, revenue, gross profit and gross profit margin in relation to sale of PNG through gasification of LNG by us during the Track Record Period:

	FY2017	**FY2018**	**FY2019**
Volume of gasified LNG (million m^3)	2.6	4.3	15.1
Corresponding costs (RMB'000)	7,091	12,376	37,909
Revenue (RMB'000)	6,841	11,367	44,739
Gross profit/(loss) (RMB'000)	(249)	(1,009)	6,830
Gross profit/(loss) margin (%)	(3.6)	(8.9)	15.3*(Note)*

Note: The improvement in the gross profit margin of sale of PNG through gasification of LNG in FY2019 was mainly attributable to the combined effect of (i) the decrease in unit purchase price of LNG; and (ii) the increase in average selling price of PNG. The fluctuation in price of LNG is driven by market demand. We cannot guarantee that the gross profit margin of sales of PNG through gasification of LNG will remain at similar level in the future.

Our relationship with Jiaxing Pipeline Company

We have a well-established relationship with Jiaxing Pipeline Company since we first acquired PNG from it in 2009. Jiaxing Pipeline Company has been our sole direct supplier of PNG and our pipeline network is connected to the pipeline network of Jiaxing Pipeline Company. Jiaxing Pipeline Company's business includes the construction of pipeline networks and supply of PNG within certain areas of Jiaxing. To the best knowledge of our Directors, Jiaxing Pipeline Company is the only upstream supplier of PNG in Jiaxing and does not have its own source of PNG other than purchasing PNG from ZNGD, which is the only upstream supplier of PNG in Zhejiang Province. As at the Latest Practicable Date, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, our Substantial Shareholder. As such, Jiaxing Pipeline Company is an associate of City Development, and therefore a connected person of our Company pursuant to Rule 14A.13(1)(a) of the Listing Rules. See the paragraph "Continuing Connected Transactions – Non-exempted Continuing Connected Transactions – Supply of PNG by Jiaxing Pipeline Company to our Group" in this prospectus.

Further, Jiaxing Pipeline Company is responsible for investing in and constructing urban pipeline network and gas facilities in the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area (namely where we do not have the exclusive concession right to construct urban pipeline network and gas facilities) according to our development plans and strategies. We manage and arrange for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company, and our main responsibilities include (i) tendering for survey and design institutes, raw material suppliers, construction companies and other servicing entities; (ii) assisting in applying for necessary licences and permits; and (iii) arranging for project inspection and audit of the project settlement statement. Since Jiaxing Pipeline Company had invested and owned some pipeline network and gas facilities within the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area at the time we were granted the Jiaxing Urban Area Concession, pursuant to the relevant local government's requirement, Jiaxing Pipeline Company and we entered into a framework agreement, which was annexed to and formed part of the Jiaxing Urban Area Concession, stipulating that Jiaxing Pipeline Company shall lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Operating Area to us for our use and operation of our PNG business, which the relevant local government had knowledge of and approved. See the paragraph "Principal PNG Operational Facilities – Pipeline networks" in this prospectus for details of our arrangement with Jiaxing Pipeline Company in relation to pipeline networks.

To the best knowledge of our Directors, (i) Jiaxing Pipeline Company purchases PNG from ZNGD; and (ii) Jiaxing Pipeline Company should submit planned annual purchase volume for PNG to ZNGD which in turn is dependent on our planned annual PNG purchase volume. ZNGD will allocate PNG based on the planned purchase volume by different cities in Zhejiang Province.

We consider the relationship between our Group and Jiaxing Pipeline Company to be unlikely to materially and adversely change or terminate for the following reasons:

– it is difficult for Jiaxing Pipeline Company to find alternate sizeable customers with operating scale comparable to us for purchase of PNG and lease of pipeline network and operational facilities given (i) that we were the largest PNG distributor in Jiaxing in terms of sales volume in 2019 and the exclusive PNG distributor in the Operating Area, and (ii) the high entry barrier of the natural gas industry, in particular capital intensive and concession requirement;

– Jiaxing Pipeline Company is a direct wholly-owned subsidiary of City Development, which has been one of our Major Shareholders since 2003 and has undertaken not to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus until 12 months after the Listing Date. This long-term shareholding relationship implicates interest alignment between our Group and City Development, which provides incentive for City Development to procure Jiaxing Pipeline Company to maintain the business relationship with us; and

– we have entered into long term Master Supply Agreements and Pipeline Network Lease Agreements up to 2025 and 2032, respectively.

According to Notice on Issuing of the Summary of Structural Reforms in Energy Sector in 2020 (《關於印發2020年浙江省能源領域體制改革工作要點的通知》浙發改能源[2020]12號) ("**2020 Summary**") issued by Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會) and Zhejiang Energy Regulatory Office of National Energy Administration (浙江省能源局) on 20 January 2020, the government aims to (i) discontinue the monopoly status of the provincial natural gas pipeline companies; (ii) separate the function of natural gas sale and distribution; (iii) promote the fair and equal access to the infrastructure of natural gas, such as provincial pipeline network and LNG terminals, by all market entities; and (iv) reform and simplify the natural gas supply chain. Our PRC Legal Advisers are of the view that based on the 2020 Summary, the sale and purchase relationship between ZNGD and Jiaxing Pipeline Company may change or be terminated, and PNG distributors in Jiaxing, including us, may be allowed to directly purchase the natural gas from ZNGD. Despite such likelihood of change in the relationship between ZNGD and Jiaxing Pipeline Company and that even if their relationship changes or terminates, our Directors believe that it would not have material and adverse effect on our operations as (i) it would not affect our Concessions rights; and (ii) we may purchase natural gas directly from ZNGD. Also, considering the basic necessity of natural gas, the PRC government and its controlled corporations generally will not allow natural gas distributors to suspend natural gas supply. On this basis, we believe that we have a stable source of PNG supply. Going forward, we will also purchase LNG to supplement our source of PNG supply from overseas suppliers via the Dushan Port Project.

Master Supply Agreements with Jiaxing Pipeline Company

On 16 June 2016, we entered into the Master Supply Agreements with Jiaxing Pipeline Company for the supply of PNG in our Operating Area. Prior to signing of the Master Supply Agreements, we did not enter into any master supply agreement for a term longer than one year. Set forth below are the major terms of the Master Supply Agreements:

Term	:	Up to 31 December 2025. We shall negotiate the extension of the term from the penultimate year of the duration of the term.
Specified annual purchase volume	:	We should submit planned annual purchase volume for PNG with breakdown of monthly purchase volume three months before the start of each contract year. Jiaxing Pipeline Company has the right to make reasonable adjustment in our planned purchase volume according to the natural gas resources and market at that time. Jiaxing Pipeline Company and we shall agree on the specified annual purchase volume for PNG for the coming contract year by 10 December of the year.
Maximum annual purchase volume	:	The maximum annual purchase volume is 105% of the specified annual purchase volume for the relevant year (the "**Maximum Annual Purchase Volume**"). Jiaxing Pipeline Company has no obligation to continue to supply PNG beyond the Maximum Annual Purchase Volume.
Minimum annual purchase volume	:	If our actual purchase volume is less than the minimum annual purchase volume, which is 75%, 80% or 90% of the specified annual purchase volume in the first, second, or third to tenth contract year, respectively, minus the aggregate gas volume for the corresponding year that is (i) not extracted by us due to force majeure; (ii) not supplied by Jiaxing Pipeline Company due to Supply Shortfall (as defined below); and (iii) rejected by us for failing to meet the quality standard) (the "**Minimum Annual Purchase Volume**"), we have a take-or-pay obligation for the difference (the "**Take-or-pay Obligation**"), which is the Minimum Annual Purchase Volume minus the actual purchase volume (the "**Purchase Shortfall**") in such year.
Purchase Shortfall	:	In case where we have made the payment for such Purchase Shortfall in any year to Jiaxing Pipeline Company we have the right to require Jiaxing Pipeline Company to supply the supplemental volume of natural gas which is equivalent to the amount of such Purchase Shortfall within five years after the year in which the relevant Purchase Shortfall occurs, subject to, among others, the condition that the actual purchase volume and the supplemental amount of natural gas supplied by Jiaxing Pipeline Company pursuant to the above mechanism will not exceed the 105% of the specified annual purchase volume for the relevant year. In the event that such Purchase Shortfall persists after five years of its occurrence, we shall lose the right to claim for natural gas in the amount of such Purchase Shortfall.

Supply Shortfall	:	In case where the supplied volume of gas by Jiaxing Pipeline Company is lower than the specified annual purchase volume for the year, the difference, which is the specified annual purchase volume minus the actual supplied volume for the year, amounts to the supply shortfall (the "**Supply Shortfall**"). In such case, the gas volume of such Supply Shortfall will be deferred and we have the right to require Jiaxing Pipeline Company to supply the deferred volume of natural gas which is equivalent to the amount of Supply Shortfall in any year within the five years after the year in which the relevant Supply Shortfall occurs. In the event that such Supply Shortfall persists after five years of its occurrence, the parties shall negotiate to extend the validity period of demanding for natural gas in the amount of such Supply Shortfall.
Price	:	Our purchase price is determined in accordance with the price set by the relevant government authorities.
Payment terms	:	We should make weekly payment, which includes fees for the amount of natural gas supplied for the week and prepayment for the expected amount of natural gas to be supplied in the following week.
Termination	:	The Master Supply Agreements can be terminated if, among others: (i) there is any material breach of the Master Supply Agreements by the other party which cannot be remedied within 30 days' notice of such breach; (ii) Jiaxing Pipeline Company fails to supply natural gas for 30 days consecutively or 60 days in a year; (iii) there is any unauthorised transfer or pledge of the contractual rights under the Master Supply Agreements; and (iv) our Concession right is suspended or revoked.
Exclusivity	:	If we, without prior written consent of Jiaxing Pipeline Company, acquire natural gas (including LNG) from other third party suppliers other than for emergency purpose, Jiaxing Pipeline Company has the right to reduce or suspend the supply of natural gas to us.*(Note)*

Note: As advised by our PRC Legal Advisers, as at the Latest Practicable Date, prior consent from the government and/or Jiaxing Pipeline Company was not required for us to acquire LNG from third parties for distribution of gasified LNG through the PNG pipeline network for peak adjustment purpose. Further, based on the 2020 Summary which aims to discontinue the monopoly status of the provincial natural gas pipeline companies, PNG distributors in Jiaxing, including us, may be allowed to directly purchase natural gas from ZNGD. Going forward, we will also purchase LNG to supplement our source of PNG supply from overseas suppliers via the Dushan Port Project. In light of (i) the 2020 Summary; and (ii) Jiaxing Pipeline Company's knowledge of the sourcing of LNG from other suppliers in respect of Dushan Port Project, our Directors are of the view, and our PRC Legal Advisers concur, that we are not required to obtain prior consent from the government and/or Jiaxing Pipeline Company to source LNG from other third party suppliers for distribution of gasified LNG through the PNG pipeline network going forward.

Our PRC Legal Advisers opine that the Master Supply Agreements are legal and valid pursuant to its terms in accordance with the applicable PRC laws, rules and regulations. As confirmed by our Directors, as at the Latest Practicable Date, we were in compliance with the terms of the Master Supply Agreements in all material respects and were not aware of any circumstances which may constitute a material breach or lead to an early termination of the Master Supply Agreements.

PNG purchased from Jiaxing Pipeline Company during the Track Record Period

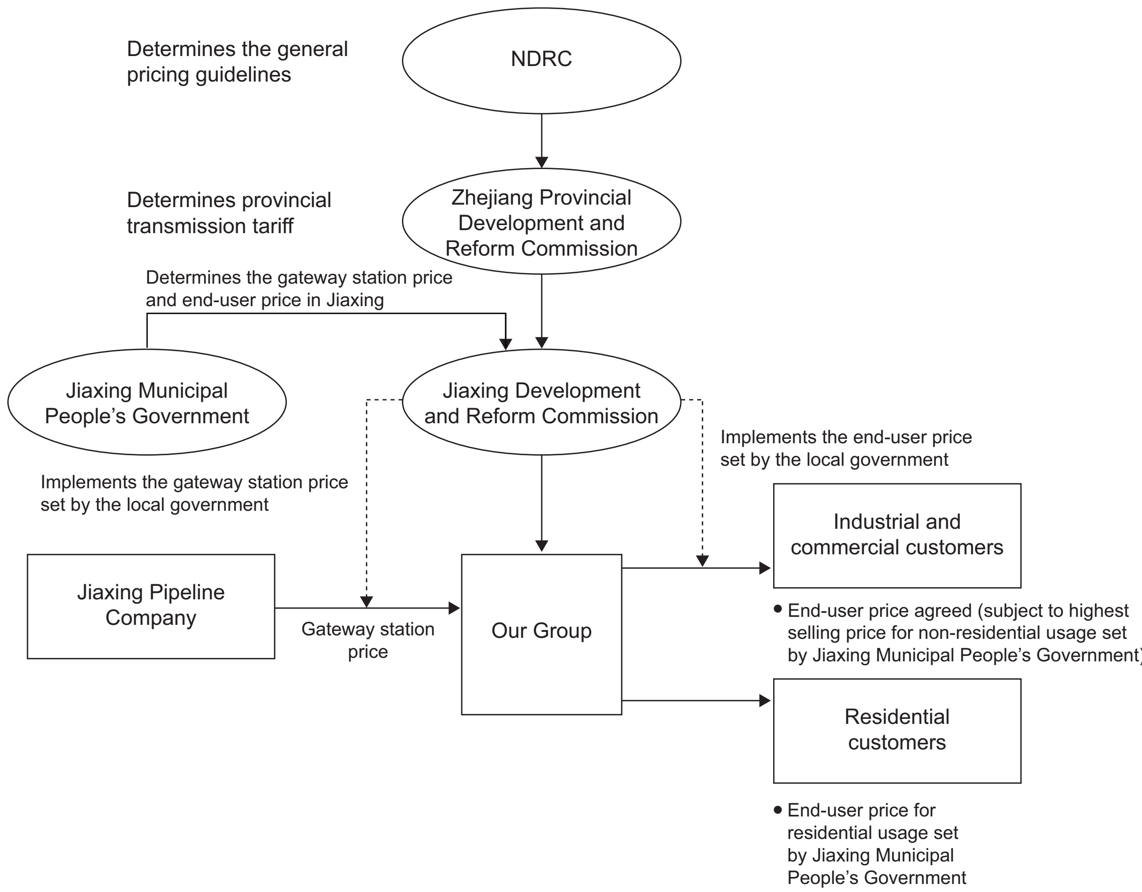
For FY2017, FY2018 and FY2019, we purchased 264.5 million m^3, 384.3 million m^3 and 361.8 million m^3, respectively, of natural gas from Jiaxing Pipeline Company. We take into account a variety of factors in determining our annual purchase volume, including historical consumption patterns, potential new customer connections and their expected usage, and contingencies such as weather conditions. As we have had a long operating history, we are able to balance the need for assured supply of PNG while not incurring excessive risk that we may incur purchase shortfall. During the Track Record Period, our actual annual purchase volume of PNG from Jiaxing Pipeline Company was above the applicable minimum annual purchase volume under the Master Supply Agreements. During the Track Record Period and up to the Latest Practicable Date, the Take-or-pay Obligation had not been enforced by Jiaxing Pipeline Company. Given the operating data during the Track Record Period and up to the Latest Practicable Date, our Directors believe that it is unlikely for our actual purchase volume for FY2020 to fall below the applicable minimum annual purchase volume prescribed under the Master Supply Agreements.

PRICING OF PNG

Price determination regime of PNG in the PRC

Pricing of our PNG purchases and sales are subject to regulatory control. See the paragraph headed "Regulatory Overview – Pricing of Natural Gas" in this prospectus for information on the regulatory regime for pricing of natural gas. The Jiaxing Municipal People's Government determines the benchmark gateway station price on which our purchase price for PNG is based and the end-user prices on which our selling price of PNG is based with reference to the general pricing guidelines and provincial level pricing issued by NDRC and the Zhejiang Provincial Development and Reform Commission. For residential usage, the end-user price is a fixed price, whereas for industrial and commercial usage, the end-user price could be agreed upon between us and the users up to the highest selling price.

The diagram below shows the general procedures of how the purchase and selling prices of PNG are determined as at the Latest Practicable Date:



Our PNG purchase price

The price at which we purchase PNG from Jiaxing Pipeline Company is determined in accordance with the price set by the Jiaxing Municipal People's Government. Our average unit purchase price for PNG, which is calculated by dividing our total PNG purchase cost by the total PNG purchase volume for FY2017, FY2018 and FY2019, was RMB2.06/m^3, RMB2.17/m^3 and RMB2.45/m^3, respectively.

Our PNG selling price

We sell PNG at different prices depending on the types of users in accordance with the pricing stipulated by the Jiaxing Municipal People's Government from time to time. The average unit selling price of PNG for our sales to end-users in accordance with the regulatory regime during the Track Record Period are set out below:

Our average unit selling price by user category (RMB/m^3)	FY2017	FY2018	FY2019
Industrial users	2.54	2.55	2.95
Commercial users	2.90	2.98	3.28
Residential users	2.80	2.79	2.81

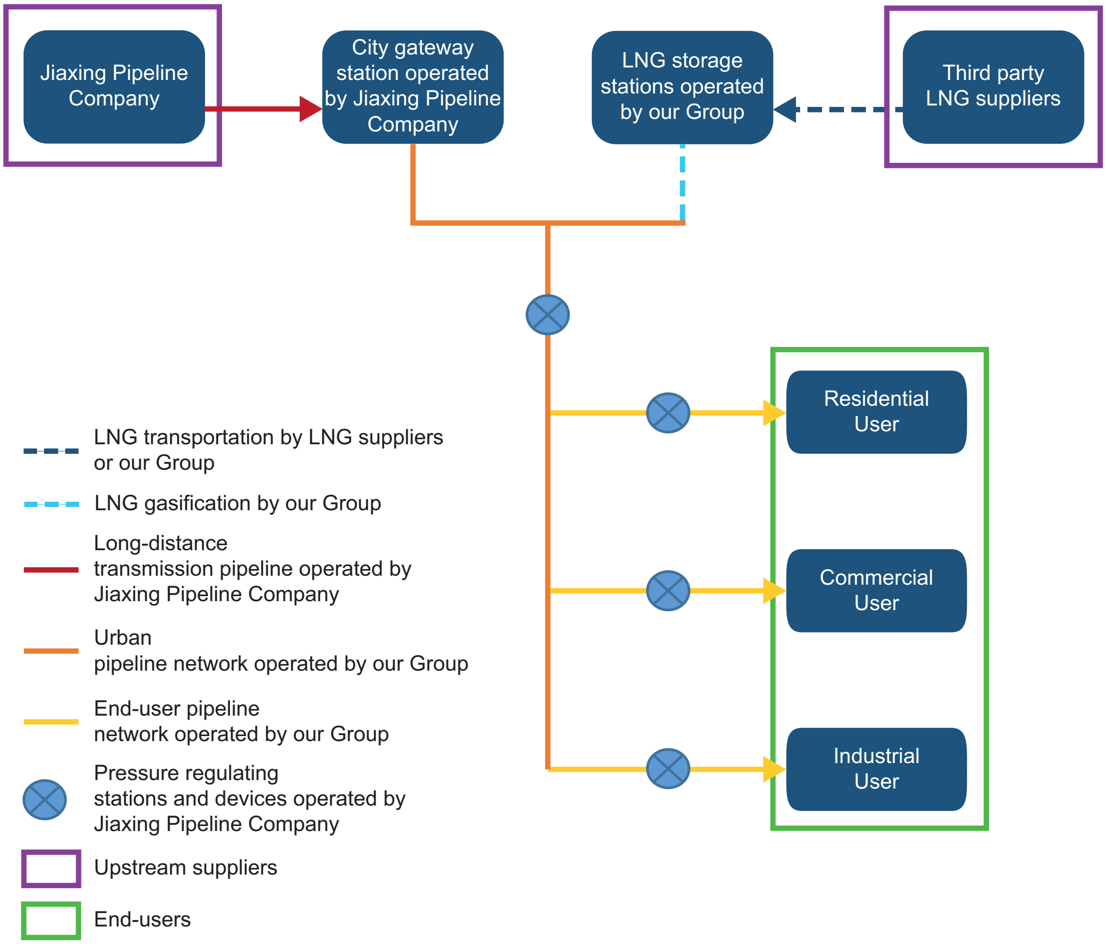
In case of PNG for residential usage, we follow the fixed end-user price set by the Jiaxing Municipal People's Government. For non-residential used PNG, in accordance with the maximum price ceiling set by the Jiaxing Municipal People's Government, we determine our selling price upon agreement between us and the users taking into account our relationship with the users and their respective business volume.

Please refer to the paragraph headed "Financial Information – Description of Selected Items in Consolidated Statements of Profit or Loss – Revenue – Sale of gas – Sale of PNG" in this prospectus for details of fluctuations of PNG selling price during the Track Record Period.

PRINCIPAL PNG OPERATIONAL FACILITIES

The principal operational facilities for our PNG sale business include (i) natural gas stations, which comprise city gateway stations, pressure regulating stations and devices and LNG storage stations; (ii) pipeline networks, which comprise urban pipeline networks and end-user pipeline networks; and (iii) our PNG customer service terminals.

The following diagram illustrates the major flow of distribution of PNG:



Natural gas stations

City gateway stations

City gateway stations have three primary functions, which include (i) regulating the pressure of natural gas received from high pressure to sub-high pressure or mid pressure, (ii) quantifying and verifying the amount of natural gas purchased from our supplier, (iii) filtering such natural gas and odorising the natural gas before distributing it into the urban pipeline network so that users and the general public can be alerted to gas leakages.

As at the Latest Practicable Date, we received PNG from two city gateway stations that are owned and operated by Jiaxing Pipeline Company.

Pressure regulating stations and devices

Our pressure regulating stations are connected to our city gateway stations and located along the urban pipeline network and end-user pipeline network. After receiving the PNG transmitted from the city gateway stations, our pressure regulating stations deliver the PNG to our users after further processing such as pressure regulation, volume measurement, filtering and odorising.

As at the Latest Practicable Date, we are connected to three high-to-mid pressure regulating stations that are owned and operated by Jiaxing Pipeline Company and multiple pressure regulating devices.

LNG storage stations

Our LNG storage stations are used for receiving, storing and gasifying LNG to supplement our PNG supply. We keep inventory of LNG in our storage tanks and gasify LNG into PNG for distribution in our urban pipeline network. The major equipment of our LNG storage stations include gas metres, LNG storage tanks, gasification equipment and valves.

As at the Latest Practicable Date, we operated two LNG storage stations, the details of which are set forth below:

	Location	**Storage capacity of natural gas**	**Stored natural gas as at the Latest Practicable Date**
1.	Nanhu District, Jiaxing Urban Area	900 m^3 of LNG (equivalent to approximately 0.5 million m^3 of natural gas in gaseous state)	503.1 m^3 of LNG (equivalent to approximately 0.3 million m^3 of natural gas in gaseous state)
2.	Jiaxing Port Area	300 m^3 of LNG (equivalent to approximately 0.2 million m^3 of natural gas in gaseous state)	169.5 m^3 of LNG (equivalent to approximately 0.1 million m^3 of natural gas in gaseous state)

We own and operate our LNG storage station in Jiaxing Port Area. The LNG storage station in Nanhu District is leased to us by Jiaxing Pipeline Company for a term up to 31 December 2028. Please refer to the paragraph headed "Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but exempt from the Independent Shareholders' Approval Requirement – Lease of LNG station and equipment by Jiaxing Pipeline Company to our Group" in this prospectus for details.

Pipeline networks

Urban pipeline network

After being processed at the city gateway stations and the pressure regulating stations, the PNG is distributed through our urban pipeline network to the end-user pipeline network. Our urban pipeline network mainly consists of mid-pressure pipelines located outside the municipal planning red lines* (市政規劃紅線). To ensure a stable and consistent supply of gas, our urban pipeline networks are designed and constructed as a ring pipeline network. The ring pipeline network ensures that the gas supply is not completely cut off in the event of any single point failure along the ring. In case of a failure at a particular section of the ring, a substantial portion of the gas can still be distributed to the end-users.

Pursuant to the Concessions, we have the right to construct urban pipeline network within the Own Pipeline Area. Jiaxing Pipeline Company is responsible for investing in and constructing urban pipeline network and gas facilities in the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area (namely where we do not have the exclusive concession right to construct urban pipeline network and gas facilities) according to our business development plans and strategies. We manage and arrange for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company, and our main responsibilities include (i) tendering for survey and design institutes, raw material suppliers, construction companies and other servicing entities; (ii) assisting in applying for necessary licences and permits; and (iii) arranging for project inspection and audit of the project settlement statement. Since Jiaxing Pipeline Company had invested and owned some pipeline network and gas facilities within the Jiaxing Urban Operating Area which does not form part of our Own Pipeline Area at the time we were granted the Jiaxing Urban Area Concession, pursuant to the relevant local government's requirement, Jiaxing Pipeline Company and we entered into a framework agreement, which was annexed to and formed part of the Jiaxing Urban Area Concession, stipulating that Jiaxing Pipeline Company shall lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Operating Area to us for our use and operation of our PNG business, which the relevant local government had knowledge of and approved. Since 2008, we have been leasing urban pipeline network and gas facilities owned by Jiaxing Pipeline Company in the Jiaxing Urban Operating Area and we are responsible for the maintenance and repair of such leased pipelines and facilities. For FY2017, FY2018 and FY2019, we incurred RMB11.6 million, RMB14.1 million and RMB15.9 million, respectively, for leasing the urban pipeline network from Jiaxing Pipeline Company.

On 30 September 2019 and 31 December 2019, we entered into the Pipeline Network Lease Agreements with Jiaxing Pipeline Company, a connected person of our Company, after arm's length negotiation in relation to the leasing of pipeline networks in the Jiaxing Urban Operating Area, effective from 1 September 2019 to 31 December 2032 and from 1 January 2019 to 31 December 2032, respectively, pursuant to which the consideration of the annual lease payment is calculated at rate of 9.16% of the total investment cost of the leased pipeline network based on arm's length negotiation, taking into account factors including investment costs, depreciation of pipeline network assets, investment return for Jiaxing Pipeline Company and the corresponding repair and maintenance costs to be incurred by us, which was equivalent to approximately RMB16.4 million in aggregate per year as at the Latest Practicable Date. The Pipeline Network Lease Agreements will not constitute a continuing connected transaction under Chapter 14A of the Listing Rules. Please refer to the section headed "Relationship with Our Major Shareholders" in this prospectus for details. Whenever there are new pipelines to be leased by us from Jiaxing Pipeline Company, we will enter into new pipeline network lease agreements with Jiaxing Pipeline Company. On 29 September 2019, the Jiaxing Municipal People's Government Office issued a non-binding memorandum indicating that we shall, in the precondition of satisfying any applicable Listing Rules, Takeover Code and relevant PRC laws and regulations regarding placing of new shares, acquire all the urban pipeline networks and construction rights in the Jiaxing Urban Operating Area from Jiaxing Pipeline Company through placing of new shares within three years from the Listing Date. The consideration of the said acquisition is not specified in the said memorandum. As confirmed by our Directors, we will fulfil all applicable Listing Rules, Takeovers Code and relevant PRC laws and regulations if we proceed with such acquisition.

As at 31 December 2019, we operated a total of approximately 872.6 km of urban pipeline network in our Operating Area (comprising 584.1 km of self-invested pipeline network and 288.5 km of leased urban pipeline network, excluding 50.3 km of urban pipeline network under construction, among which 15.1 km was self-invested).

For details of depreciation method of our pipeline network, please refer to the paragraph headed "Financial Information – Property, Plant and Equipment and Depreciation"

End-user pipeline network

End-user pipeline network are mid- and low-pressure pipelines located within the municipal engineering red lines and owned by our customers to whom we supply PNG. Subject to decision of the owners or occupants of residential, industrial and commercial buildings or the property developer or property management companies that represent them, these pipelines can be constructed by us or other construction service providers.

PNG customer service terminals

As at 31 December 2019, we operated nine PNG customer service terminals in Jiaxing Urban Area and Jiaxing Port Area. These terminals are mainly for handling (i) account opening applications from PNG customers, (ii) change of account information, (iii) customer enquiries, and (iv) payment.

OUR LNG SALE BUSINESS

Upon request of our customers, we supply LNG on a retail basis to industrial customers in certain areas in Jiaxing that typically cannot be reached by pipeline network. For FY2017, FY2018 and FY2019, we generated RMB5.8 million, RMB13.6 million and RMB11.9 million from our LNG business, representing 0.6%, 1.1% and 0.9% of our total revenue (before government surcharges) respectively.

We source LNG from various suppliers based in the PRC with which we had entered into master LNG purchase agreements. These LNG suppliers transport LNG in tankers to our leased LNG storage station at their risk. In a few cases, we may arrange for transportation of the LNG by our own tankers to our leased LNG storage station. During the Track Record Period, part of our LNG sourced was used to supplement our PNG sale during peak seasons. We store our LNG inventory in the LNG storage station in Nanhu District and gasify the LNG by heat through gasification facilities and transmit the same into our pipelines when we need to supplement our PNG supply. The following table sets forth the movement of our LNG inventory during the Track Record Period:

	FY2017	**FY2018**	**FY2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Inventory of LNG as at the beginning of the year	1	5	6
Purchase of LNG during the year	12,085	23,019	45,643
Cost of sale for LNG	4,990	10,642	7,728
Cost of sale for PNG (through gasification)	7,091	12,376	37,909
Inventory of LNG as at the end of the year	5	6	12

The table below summarises the information of our operational facilities located in our leased LNG storage station for our LNG sale business as at 31 December 2019:

Operational facilities	**Specification**
Six LNG storage tanks	Storage volume of approximately 900 m^3 of LNG in total
Two LNG unloading facilities	For unloading LNG from tankers to storage tanks
Three LNG filling facilities	For filling LNG into LNG bottles before delivering to our customers
169 LNG bottles	LNG bottles for containing LNG to be delivered to our customers. Each LNG bottle has a capacity of approximately 0.4 m^3 of LNG

The purchase and selling price of our LNG are generally based on market pricing at the time of shipping, subject to negotiation between both parties. For FY2017, FY2018 and FY2019, the average LNG purchase price was RMB2.71/m^3, RMB2.88/m^3 and RMB2.36/m^3, respectively, while our average LNG selling price was RMB3.15/m^3, RMB3.71/m^3 and RMB3.65/m^3, respectively.

OUR LPG SALE BUSINESS

During the Track Record Period, we sold bottled LPG to residential, commercial and industrial users on retail basis. The residential, commercial and industrial users of LPG typically do not have access to the PNG pipeline networks we operate and consider bottled LPG more convenient for their daily usage due to its ease of transportation and higher calorific value. For FY2017, FY2018 and FY2019, our revenue generated from the LPG sale business on retail basis were RMB24.1 million, RMB42.5 million and RMB37.1 million, accounting for 2.7%, 3.4% and 2.8% of our total revenue (before government surcharges), respectively.

During the Track Record Period, we also sold LPG to wholesale customers for their onward sale depending on the market demand. Our wholesale customers were LPG trading companies in Jiaxing and neighbouring cities. For FY2017, FY2018 and FY2019, we had 18, 18 and 13 wholesale customers, and we generated RMB23.9 million, RMB45.4 million and RMB38.4 million from our LPG wholesale business accounting for 2.7%, 3.6% and 2.9% of our total revenue (before government surcharges), respectively.

We generally enter into framework purchase agreement with suppliers for the purchase of LPG, which mainly stipulates trading period, trading amount, price, quantifying method, payment and delivery terms.

We usually arrange professional LPG transportation companies to transport LPG from our LPG suppliers to our LPG storage tanks at our LPG storage station where we keep the LPG inventory. We also produce bottled LPG through our own bottling production line at our LPG storage station. For FY2017, FY2018 and FY2019, our cost of LPG sold was RMB41.1 million, RMB75.7 million and RMB61.6 million, representing 5.6%, 7.0% and 5.4% of our total costs of sale, respectively.

We offer account opening, account cancellation services and LPG bottle replacement at our two LPG distribution stations and by sending our staff to our customers' properties. New customers can open accounts at our LPG distribution stations by presenting the required information and paying a deposit for the LPG bottle. They can request on-site account opening at their properties and destination delivery of bottled LPG by our staff. For LPG bottle replacement, our customers can bring empty bottles to our LPG distribution stations for exchange or request exchange for new bottled LPG at their properties.

The table below summarises the information of our operational facilities located in our LPG storage station for our LPG sale business as at 31 December 2019:

Operational facilities	Specification
Eight LPG storage tanks	Storage volume of approximately 270 tonnes of LPG in total
Ten LPG bottling lines	For filling LPG into bottles before delivery to our customers

The purchase and selling prices of LPG are both based on market pricing at the time of shipping, subject to negotiation between both parties. For FY2017, FY2018 and FY2019, the average LPG purchase price was RMB3.56/kg, RMB3.94/kg and RMB3.51/kg, respectively, while our average LPG selling price was RMB4.15/kg, RMB4.52/kg and RMB4.16/kg, respectively.

OUR CONSTRUCTION AND INSTALLATION BUSINESS

Our urban pipeline network and gas facilities are designed to cover our Operating Area in general, whereas our construction and installation business generally focuses on constructing and installing end-user pipeline network and gas facilities, such as natural gas meters and pressure regulators, upon our customers' demand. Our construction services represent rendering of such services to our customers which ownership of the constructed assets, being the pipelines and facilities we constructed for gas distribution, belongs to our customers, while rendering of installation and management services represents rendering of such services to our customers which ownership of such constructed assets, being the pipelines and facilities we constructed for gas distribution, belongs to us. Our customers, comprising (i) property developers of newly developed residential properties, (ii) owners or occupants of existing residential properties and (iii) owners or occupants of non-residential properties, generally engage us for construction and installation of end-user pipelines connecting their properties to urban pipeline network prior to our sales of PNG to them. We also approach potential customers from time to time offering to provide construction and installation services for our future sales of PNG. For FY2017, FY2018 and FY2019, revenue derived from our construction and installation business amounted to RMB106.4 million, RMB129.3 million and RMB116.1 million, respectively, representing 12.0%, 10.2% and 8.7% of our total revenue (before government surcharges) for the corresponding periods.

The table below sets forth the number and the outstanding contract sum of our construction and installation projects during the Track Record Period:

	Starting Balance of the outstanding contract sum *(RMB'000)*	Projects on hand at the beginning of the year	New projects awarded	Projects completed	Projects on hand at the end of the year	Ending balance of the outstanding contract sum *(RMB'000)*
FY2017	63,904	305	429	424	310	63,029
FY2018	63,029	310	482	538	254	75,203
FY2019	75,203	254	496	452	298	66,860

The following table sets forth the reconciliation between the ending balance of the outstanding contract sum of our construction and installation projects and the amount of the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2017, 2018 and 2019:

	As at 31 December		
	2017	**2018**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Ending balance of the outstanding contract sum	63,029	75,203	66,860
Add:			
– *Receipt in advance from sale of natural gas*	20,270	16,672	17,575
– *Receipt in advance from sale of construction materials*	–	–	607
– *Receipt in advance from management service fees to be recognised as revenue in the future, of which the installation projects had been completed*	395,854	376,233	380,289
Transaction price allocated to remaining performance obligations	479,153	468,108	465,331

Our construction and installation service agreements and pricing

We enter into construction and installation service agreements with our customers, terms of which generally include scope of work, contract sum, payment terms and construction period. We generally require our customers to settle 50% of the contract sum upon signing of the contract and the reminder 50% upon completion of the construction work. We should complete the construction and installation works within the construction period as stipulated in the agreements.

We charge our customers construction and installation fees at a fixed price or on a project basis. The construction and installation fee for residential users in Jiaxing is subject to the regulated price set by the relevant local pricing authority, which is RMB7 per m^2, and is calculated based on the size of the site area. The construction and installation fee for non-residential users are not regulated by governmental authorities, and are generally agreed on a project by project basis, taking into account factors such as the construction and installation plan, the amount and complexity of the necessary pipeline construction, the relevant estimated costs and pricing in the nearby areas, the raw materials specified by the customers and the size of the project.

The table below sets forth the breakdown of the revenue from our construction and installation business by types of customers during the Track Record Period:

	FY2017		FY2018		FY2019	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Residential users	52,717	49.6	53,335	41.2	52,931	45.6
Non-residential users	53,670	50.4	75,981	58.8	63,215	54.4
Total	106,387	100.0	129,316	100.0	116,146	100.0

On 27 June 2019, the NDRC, the Ministry of Housing and Urban-Rural Development of the PRC and the State Administration for Market Regulation of the PRC jointly issued the Installation Charges Opinions which came into effect on the same date, which among other things, limits the profit-to-cost ratio for construction and installation services to a maximum of 10%. As advised by our PRC Legal Advisers, the Installation Charges Opinions will be applicable to construction and installation services provided to residential and non-residential users. As at the Latest Practicable Date, there were no implementation rules for the Installation Charges Opinions in Jiaxing. For details of the recent regulation on construction and installation fees, please refer to the paragraph headed "Regulatory Overview – Pricing of natural gas – Pricing of construction and installation services" in this prospectus. For the potential impact of such regulation on our construction and installation business, please refer to the paragraph headed "Risk factors – Risks relating to Our Sales of Gas, Construction and Installation and Other

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

Processes of our construction and installation services

Upon the completion of construction of urban pipeline network in our Operating Area, we commence handling PNG usage requests from (i) property developers and (ii) owners or occupants of existing residential properties, and (iii) owners or occupants of non-residential properties, who engage us to provide construction and installation services for their properties. Depending on the length of pipelines and complexity of construction, a typical construction project generally took from a week to several months to complete during the Track Record Period. Our construction and installation projects generally follow the processes as set out below:

On-site investigation and design of end-user pipeline network

Upon accepting PNG usage requests, we appoint an independent qualified design institute to conduct on-site investigation and design the end-user pipeline network for our customers. The design has to take into consideration our technical requirements, the size and needs of the users and the environmental conditions of the region covered by the project.

Signing of contracts and upfront payment

After the design is approved by the relevant authorities, we sign construction and installation service contracts with our customers. Generally, upon signing of the contract, 50% of the construction fee is payable to us, while the rest of the construction fee is generally payable upon completion of the construction project. For details on the pricing for our construction and installation services, see the paragraph headed "Our Construction and Installation Business – Our construction and installation service agreements and pricing" above in this section.

Construction and installation of end-user pipeline network and gas facilities

We conduct construction and installation of end-user pipeline network and gas facilities by our own engineering team or engaging independent subcontractors. For details on our subcontracting arrangement, see the paragraph headed "Our Construction and Installation Business – Subcontracting" below in this section.

Where we are engaged by the property developers of new residential properties, we would perform safety inspection for the end-user pipeline network connecting these residential properties to the urban pipeline network before we are ready for the release of gas supply to the relevant residential properties. We require individual owners of these residential properties who apply for our PNG supply to enter into PNG usage agreements with us, after which we will perform safety inspection again for the end-user pipeline network connected to their gas appliances. We would then release PNG supply to these residential units. Similar procedures apply to our customers who are the owners or occupants of existing residential properties or non-residential properties, except that we would generally enter into PNG usage agreements with these customers directly before completion of the construction and installation works. We would generally collect the balance of construction and installation fee upon completion of the construction and installation works.

We act as a project manager to provide overall project management and supervision to ensure that (i) the construction of the required pipeline network is carried out in accordance with all the relevant standards and regulations; and (ii) the construction carried out by subcontractors is in accordance with contract specifications.

Subcontracting

During the Track Record Period, most of the construction and installation works were carried out by subcontractors engaged by us. Our Directors consider that the practice of outsourcing labour-intensive construction works minimises the labour employed directly by us, allowing us to focus our labour resources on our PNG sales business. For FY2017, FY2018 and FY2019, the costs in relation to the provision of construction and installation services were RMB39.3 million, RMB59.3 million and RMB49.9 million, representing 5.4%, 5.5% and 4.4% of the cost of sales, respectively.

We have maintained a list of qualified subcontractors for the provision of construction and installation services. We select our subcontractors through tendering and/or annual appraisal. Our assessment and selection criteria for contractors include their qualifications, performance, experience, track record, credit-worthiness and technical expertise. We are not obliged to procure services from any one of them. For FY2017, FY2018 and FY2019, we engaged 15, 15 and 14 subcontractors to provide construction, installation and related services to us, all of which were Independent Third Parties. As at the Latest Practicable Date, we engaged 16 subcontractors with which we had maintained business relationship for an average of five years.

The subcontracting agreements are typically for a term of one year and generally provide that (i) we are responsible for supplying certain raw materials to the subcontractor; (ii) the subcontractor should complete the construction work within a stipulated period and according to the relevant national standards and our quality requirements specified in the agreement; (iii) the fees payable by us are determined with reference to the scale and complexity of the construction work and on the basis of the relevant provincial pricing guidances; (iv) we settle payment of 50% to 70% of the total contract price one week after the subcontractor submits to us the project completion reporting materials and project settlement statement and up to 90% to 95% of the total contract price after we complete the audit of the project settlement statement, and we settle the remaining 5% to 10% of the contract price as retention money within one year after the acceptance of the project; (v) in case of any breach of contract, the party in breach shall be liable to pay damages to the other party in accordance with the PRC contract law.

Our internal quality control staff and the relevant quality inspection authority monitor the construction and installation process to ensure that the construction works meet our quality and safety requirements and the relevant national standards.

We have obtained the licence for PNG pipeline construction in August 2018, and have commenced to deploy our in-house engineering team for the construction of PNG pipelines since then. As at 31 December 2019, our in-house engineering team consisted of 65 staff.

Raw materials for our construction and installation services

Raw materials for our construction and installation business mainly include polyethylene pipes, steel pipes, valves, pressure gauges, gas meters, pipeline connectors and accessories. We mainly sourced from local suppliers and select them based on their price quotations, quality of their products and services, and our business relationships with them.

OTHER BUSINESSES

Natural Gas Transportation Services

During the Track Record Period, we provided transportation of natural gas (including LNG). Under the framework transportation service agreements, we transport natural gas with our own tankers that are operated by our staff from specified natural gas receiving stations or natural gas producers' facilities to our customers' facilities. We communicate with our customers on a daily basis to confirm their transportation plans and the availability of our vehicles. We generally determine transportation fee based on the measurement result generated at the natural gas receiving stations or natural gas producers' facilities from which we start shipping. The transportation fee is negotiated and agreed between both parties. For FY2017, FY2018 and FY2019, we generated RMB9.1 million, RMB7.4 million and RMB5.9 million from our transportation of natural gas (including LNG), representing 1.0%, 0.6% and 0.4% of our total revenue (before government surcharges), respectively.

Sales of Vapour

As requested by our customers, we also supply vapour which we produce by boiling water with natural gas and supply through steam pipelines. For FY2017, FY2018 and FY2019, we generated RMB7.4 million, RMB18.7 million and RMB21.1 million from our sales of vapour, representing 0.8%, 1.5% and 1.6% of our total revenue (before government surcharges), respectively.

Sales of Construction Materials

During the Track Record Period, we also sold construction materials, including cement piles, steel manhole covers and steel-plastic conversion adaptors, to pipeline construction companies that are engaged by Jiaxing Pipeline Company. For FY2017, FY2018 and FY2019, our revenue from sales of construction materials amounted to RMB14.6 million, RMB9.4 million and RMB10.3 million, representing 1.6%, 0.7% and 0.8% of our total revenue (before government surcharges) for the corresponding periods.

Leasing of Properties

We also generated revenue by leasing certain of our owned properties to connected persons and Independent Third Parties during the Track Record Period, which amounted to RMB11.8 million, RMB13.6 million and RMB13.0 million, representing 1.3%, 1.1% and 1.0% of our total revenue (before government surcharges) for FY2017, FY2018 and FY2019, respectively. Such properties, including those in Hualong Plaza* (華隆廣場) and Meiwan Business Centre* (梅灣商務中心), are mainly for commercial usage, with an aggregate gross floor area of approximately 46,983.8 sq.m. as at the Latest Practicable Date. For details of our leasing of properties to our connected persons, see the section headed "Continuing Connected Transactions" in this prospectus.

SEASONALITY

During the Track Record Period, we generally derived higher revenue from our sales of gas in winter. We believe natural gas demand and consumption is seasonal, particularly for residential users as they usually consume more gas to generate heat in winter. However, such seasonal effect on our revenue is not significant as the gas consumption of our major customers, namely non-residential users, is relatively stable throughout all seasons.

We did not experience any significant seasonality for our other operations during the Track Record Period.

MARKETING

Our marketing team promotes to the public the advantages of using PNG through brochures and newspaper advertisements. To increase our customer base, we promote the benefits of natural gas in terms of price, convenience, safety, cleanliness and environmental friendliness by organising promotional activities, such as broadcasting advertisements through the media and distributing users' directories. As at 31 December 2019, we had 150 staff in our sales, marketing and customer services department.

OUR CUSTOMERS

For FY2017, FY2018 and FY2019, sales to our five largest customers in aggregate were RMB219.8 million, RMB384.1 million and RMB327.9 million, respectively, which accounted for 24.8%, 30.5% and 24.7%, respectively, of our total revenue for the corresponding periods. Most of our five largest customers during the Track Record Period are our PNG customers. For the same periods, sales to our largest customer for the respective year amounted to RMB107.0 million, RMB151.2 million and RMB133.4 million, and accounted for 12.1%, 12.0% and 10.0%, respectively, of our total revenue. Set out below are the details of our five largest customers during the Track Record Period:

For FY2017

No.	Customer	Principal business activities	Year of commencing business relationship with us	Type of product sold/service provided during the Track Record Period	Transaction amount *(RMB'000)*	Percentage of total revenue *(%)*	Payment method	Credit period
1.	Customer A	Manufacturing and processing of metal products	2008	PNG	106,967	12.1	Bank transfer	15 days
2.	Customer B *(Note 1)*	Manufacturing and sale of spandex fibre	2004	PNG	49,639	5.6	Bank transfer	30 days
3.	Customer C *(Note 2)*	Manufacturing and sale of glass products	2011	PNG	36,928	4.2	Bank transfer	7 days
4.	Customer D	Manufacturing, processing and sale of steel cord	2006	PNG	13,645	1.5	Bank transfer	15 days
5.	Customer E	Manufacturing and sale of metal products	2008	PNG	12,605	1.4	Bank transfer	30 days
				Total	219,784	24.8		

For FY2018

No.	Customer	Principal business activities	Year of commencing business relationship with us	Type of product sold/service provided during the Track Record Period	Transaction amount	Percentage of total revenue	Payment method	Credit period
					(RMB'000)	*(%)*		
1.	Customer C *(Note 2)*	Manufacturing and sale of glass products	2011	PNG	151,223	12.0	Bank transfer	7 days
2.	Customer A	Manufacturing and processing of metal products	2008	PNG	111,996	8.9	Bank transfer	15 days
3.	Customer B *(Note 1)*	Manufacturing and sale of spandex fibre	2004	PNG	52,524	4.2	Bank transfer	30 days
4.	Customer F *(Note 3)*	Manufacturing and sale of chemical and chemical raw materials	2012	PNG	52,185	4.1	Bank transfer	15 days
5.	Customer G	Trading of petroleum products	2017	LPG	16,124	1.3	Bank transfer	Payment in advance
				Total	384,052	30.5		

For FY2019

No.	Customer	Principal business activities	Year of commencing business relationship with us	Type of product sold/service provided during the Track Record Period	Transaction amount *(RMB'000)*	Percentage of total revenue *(%)*	Payment method	Credit period
1.	Customer A	Manufacturing and processing of metal products	2008	PNG	133,411	10.0	Bank transfer	15 days
2.	Customer C *(Note 2)*	Manufacturing and sale of glass products	2011	PNG	68,710	5.2	Bank transfer	7 days
3.	Customer B *(Note 1)*	Manufacturing and sale of spandex fibre	2004	PNG	60,661	4.6	Bank transfer	30 days
4.	Customer H	Manufacturing and sale of fibre	2018	PNG	37,132	2.8	Bank transfer	15 days
5.	Customer F *(Note 3)*	Manufacturing and sale of chemical and chemical raw material	2012	PNG	28,026	2.1	Bank transfer	15 days
				Total	327,940	24.7		

Notes:

(1) Customer B consists of two subsidiaries of an industrial conglomerate, which is established and based in South Korea and listed on the Korea Stock Exchange with a sales revenue of 3.4 trillion Korean won for the period ended 31 December 2019.

(2) Customer C consists of a company and one of its wholly-owned subsidiaries. The parent company is a photovoltaic glass manufacturer established and based in the PRC and listed on the Stock Exchange, with an operating revenue of RMB4.8 billion and a net profit of RMB717.2 million for the period ended 31 December 2019.

(3) Customer F is a wholly-owned subsidiary of a manufacturer of consumer chemicals and their ingredients, which is established and based in the PRC and listed on the Shanghai Stock Exchange with an operating revenue of RMB50.6 billion for the period ended 31 December 2019.

Our Directors confirmed that none of our Directors, their associates or Shareholders (who to the knowledge of our Directors owned more than 5.0% of the share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS, RAW MATERIALS AND INVENTORIES

Our raw materials mainly comprise natural gas and LPG, as well as certain raw materials for our construction and installation services. See the paragraph "Our construction and installation business – Raw materials for our construction and installation services" above for details. During the Track Record Period, we did not encounter any material disruption to our operations due to shortages of raw materials nor did we experience any difficulty in the sourcing of raw materials. Our Directors have confirmed that our principal raw materials are readily available in the PRC and their respective countries of origin.

Major suppliers

During the Track Record Period, our major suppliers included Jiaxing Pipeline Company, our sole direct supplier of PNG for our PNG supply business, and suppliers of materials and service providers for our construction and installation business. For FY2017, FY2018 and FY2019, purchases from our five largest suppliers in aggregate were RMB604.7 million, RMB920.1 million and RMB980.0 million, respectively, which accounted for 77.7%, 91.2% and 92.4% of our total cost of purchase for the respective periods.For FY2017, FY2018 and FY2019, purchases from our largest supplier amounted to RMB543.6 million, RMB832.1 million and RMB887.0 million, respectively, which accounted for 69.8%, 82.6% and 83.7% of our total cost of purchase for the corresponding periods. Set out below are the details of our five largest suppliers during the Track Record Period.

For FY2017

No.	Supplier	Principal business activities	Year of commencing business relationship with us	Type of products/ services supplied during the Track Record Period	Transaction amount *(RMB'000)*	Percentage of total cost of purchase *(%)*	Payment method	Credit period
1.	Jiaxing Pipeline Company	Construction of pipeline networks and supply of PNG	2009	PNG	543,632	69.8	Bank transfer	Payment in advance
2.	Supplier A *(Note 1)*	Trading and sale of petroleum products	2013	LPG	28,644	3.7	Bank transfer	Payment in advance
3.	Supplier B	Construction and installation	2003	Construction services	17,470	2.2	Bank transfer and acceptance bill	70% after one week of project completion, 20% after the completion of the project audit, 10% within one year after the acceptance of the project
4.	Supplier C	Construction and installation	1998	Construction services	9,049	1.2	Bank transfer	70% after one week of project completion, 20% after the completion of the project audit, 10% within one year after the acceptance of the project
5.	Supplier D	Trading and sale of LNG	2017	LNG	5,919	0.8	Bank transfer	Payment in advance or payment upon goods arrival
				Total	604,714	77.7		

For FY2018

No.	Supplier	Principal business activities	Year of commencing business relationship with us	Type of products/ services supplied during the Track Record Period	Transaction amount *(RMB'000)*	Percentage of total cost of purchase *(%)*	Payment method	Credit period
1.	Jiaxing Pipeline Company	Construction of pipeline networks and supply of PNG	2009	PNG	832,088	82.6	Bank transfer	Payment in advance
2.	Supplier A *(Note 1)*	Trading and sale of petroleum products	2013	LPG	52,729	5.2	Bank transfer	Payment in advance
3.	Supplier B	Construction and installation	2003	Construction services	14,060	1.3	Bank transfer and acceptance bill	70% after one week of payment completion, 20% after the completion of project audit, 10% within one year after the acceptance of the project
4.	Supplier E	Trading and sale of LNG	2018	LNG	12,189	1.2	Bank transfer	Payment in advance
5.	Supplier F	Trading and sale of petroleum products	2017	LPG	9,049	0.9	Bank transfer	Within 2 days
				Total	920,115	91.2		

For FY2019

No.	Supplier	Principal business activities	Year of commencing business relationship with us	Type of products/ services supplied during the Track Record Period	Transaction amount *(RMB'000)*	Percentage of total cost of purchase *(%)*	Payment method	Credit period
1.	Jiaxing Pipeline Company	Construction of pipeline networks and supply of PNG	2009	PNG	886,986	83.7	Bank transfer	Payment in advance
2.	Supplier A *(Note 1)*	Trading and sale of petroleum products	2013	LPG	40,788	3.8	Bank transfer	Payment in advance
3.	Supplier G *(Note 2)*	Trading and sale of petrochemical products	2019	LNG	24,280	2.3	Bank transfer	Payment in advance
4.	Supplier H	Construction and installation	2017	Construction services	17,006	1.6	Bank transfer	Within 1 year
5.	Supplier F	Trading and sale of petroleum products	2017	LPG	10,966	1.0	Bank transfer	Within 2 days
				Total	980,026	92.4		

Notes:

(1) Supplier A consists of two subsidiaries of a company established in the PRC and listed on the Shanghai Stock Exchange and the Stock Exchange. Its parent company is one of the largest integrated energy and chemical companies in the PRC, with a total turnover and other operating revenues of RMB2.97 trillion and an operating profit of RMB86.2 billion for the period ended 31 December 2019.

(2) Supplier G initiated physical visit to us in around the fourth quarter of 2018 and later became one of our qualified suppliers. Our Directors confirm that the terms of our transaction with Supplier G are in line with the normal business terms with our other suppliers.

During the Track Record Period, we sold some of our products to and purchased some of our raw materials from entities belonged to the same ultimate shareholder. Set out below are the details with material transaction amounts during the Track Record Period:

Name of entities	Principal business activities	Goods purchased by us	Amount of purchases by us and percentage to our total costs of purchase during the Track Record Period	Goods sold by us	Amount of sales by us and percentage to our total revenue during the Track Record Period	Gross profit from sales and gross profit margin during the Track Record Period
Supplier A and Entity A (being our customer), both belonged to the same ultimate shareholder as at the Latest Practicable Date	Supplier A: trading and sale of petroleum products Entity A: trading and sale of petroleum products	LPG	FY2017: RMB28.6 million (3.7%) FY2018: RMB52.7 million (5.2%) FY2019: RMB40.8 million (3.8%)	PNG	FY2017: RMB9.0 million (1.0%) FY2018: RMB7.7 million (0.6%) FY2019: RMB7.1 million (0.5%)	FY2017: RMB1.0 million (10.7%) FY2018: RMB1.0 million (13.6%) FY2019: RMB1.2 million (16.0%)

The reason for Entity A to purchase PNG from us is that we are the exclusive distributor of PNG in our Operating Area. On the other hand, Supplier A is one of the few major LPG suppliers in Jiaxing. As such, we procured LPG from Supplier A during the Track Record Period. We conducted negotiations of the terms of our sale to and purchase from these entities on individual basis and the sale and purchase were neither inter-connected nor interconditional with each other. Our Directors confirmed that the terms of transactions with these entities are in line with the market and similar to those transactions with our other customers and suppliers.

Save as disclosed in the paragraph "Our Source of PNG Supply" in this section above and the section headed "Continuing Connected Transactions" in this prospectus, our Directors confirmed that none of our Directors or Shareholders (who to the knowledge of our Directors owned more than 5.0% of the share capital of our Company as at the Latest Practicable Date) and their respective associates had any interest in any of our five largest suppliers during the Track Record Period.

Please refer to the paragraph headed "Financial Information – Key Factors Affecting our Results of Operations – Government policies and price control regime for natural gas" in this prospectus for details of the sensitivity analysis of the effect of fluctuations of our per unit average selling price of PNG on our profit before tax during the Track Record Period.

Inventories

Our inventories mainly consist of construction materials, LNG and LPG. Since we distribute the PNG we purchase from our suppliers to our customers directly, we recorded almost no inventory of PNG except for the PNG which exists in the pipeline network. Thus we recorded insignificant balances of PNG as at each of the balance sheet dates during the Track Record Period.

QUALITY CONTROL AND SAFETY MAINTENANCE

We place significant emphasis on quality control on our raw materials and services, proper maintenance of our facilities as well as maintenance of operation and gas usage safety. Our engineering, safety and quality control department is responsible for the quality control and safety maintenance matters arising from different operation processes. As at 31 December 2019, our engineering, safety and quality control department consisted of 175 staff (including technicians and engineers), a majority of whom had relevant professional qualifications and experience in the natural gas industry. Their responsibilities mainly include: (i) keeping track of the relevant regulatory and industry standards regarding safety, maintenance and quality control; (ii) formulating and reviewing our internal safety inspection, facilities maintenance and quality control procedures and standards; (iii) monitoring the implementation of the above procedures and standards in our day to day operation; (iv) maintaining detailed records for related matters; and (v) delivering safety training for our employees.

We have established strict quality control standards on various aspects of our raw materials supply, pipeline construction, facilities repairs and maintenance to ensure gas safety and stable supply of natural gas. We have in place procedure manuals and policies to cover the maintenance of our operation facilities. We strictly follow government regulations when adopting our own safety rules and emergency recovery plans, which are imposed on all of our employees.

Quality Control

For our construction materials, subcontractors, gas processing and storage equipment and gas sources, we maintain a registry of approved suppliers, who could consistently meet our demand and quality requirements. We conduct sampling tests on our natural gas and LPG sources on a quarterly basis and inspect the quality of every batch of construction materials and equipment following our internal procedures. In the event that any raw material is defective, our policy requires our quality control personnel to segregate the defective raw materials and we will usually return such materials to the suppliers.

For the purpose of gas usage safety, we take certain measures by adding odorizing substance and by integrating purification process and pressure regulating functions to our gas processing stations, so as to ensure the immediate detection in case of gas leakages and steady supply of gas.

In respect of quality control for our construction work, we hire qualified engineers and subcontractors with valid licences to perform construction and connection of pressure pipelines and keep individual records of their certification status and performance. Our on-site management team is designated to monitor the construction process of our engineers or subcontractors, conduct interim and final checks on the pipeline networks and keep record of the supervision results. We also engage independent third party experts to conduct physical tests on the pipeline networks that we or our subcontractors construct to ensure that the pipelines put into operation fulfil all the standards set out in our quality control manuals and in accordance with the relevant regulations.

Safety Maintenance

Depending on the nature and type of our facilities, our staff are required to patrol and examine the operational facilities that we use, comprising pipeline networks, LNG and LPG stations and facilities, regularly to implement repairs and maintenance and record the results in a registry for record keeping. We only allow staff who possess the necessary qualifications to perform maintenance work. According to our manuals and policies, the safety maintenance mainly covers: (i) repair and maintenance of our pipeline networks, (ii) detection of gas leakage along our pipeline networks, (iii) replacement of expired fittings, (iv) cleaning of critical components, such as pressure regulators, and (v) timely reporting of malfunctions and accidents of the gas facilities, emergency repairs and other measures and systems to the relevant authorities.

Most of our facilities undergo daily safety checks. In addition, we conduct a thorough comprehensive check on the valves and metres annually and on the LPG bottling equipment on a semi-annual basis. In particular for our PNG business, we attend each end-user's property to carry out on-site safety checks before commencing PNG supply and provide improvement or remedial advice upon detection of any potential safety problems regarding their indoor gas facilities. Furthermore, we distribute safety manuals on gas usage and provide safety education for end-users before commencing PNG supply.

We have established and implemented a 24-hour watch system to monitor any possible gas leakage and accidents. If gas leakage is detected, our inspection officer will immediately perform emergency contingency measures according to our manuals, including locating the leaking point using our geographic information system and instructing our technicians to carry out repair work. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any accidents which had a material impact on our financial conditions or results of operation or which led to death or severe injuries.

We have established a customer services centre to handle customer enquiries and feedback through telephone. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material complaints, material losses or claims arising from our operations, and were not aware of any threatened or pending action by any regulatory authority in the PRC which had a material adverse impact on us.

For FY2017, FY2018 and FY2019, we incurred approximately RMB12.9 million, RMB14.1 million and RMB13.4 million for the repair and maintenance of PNG pipelines and facilities.

RESEARCH AND DEVELOPMENT

Due to the nature of our business, we did not incur significant research and development expenses during the Track Record Period, and our Directors do not expect to incur any such significant expenses in the near future.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, we had one registered patent, six registered trademarks, seven registered computer software copyrights and five registered domain names in the PRC and one registered trademark in Hong Kong. Details of our intellectual property rights, which we consider material to our business and operations, are set out in "Statutory and General Information – Further Information about the Business of our Company – 8. Intellectual property rights of our Group" in Appendix VII to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

EMPLOYEES

As at 31 December 2019, we had 383 employees. All of our employees are located in the PRC. Sets forth below is a breakdown of the number of our employees by functions as at the 31 December 2019:

Function	**Number of employees**
Management	43
Administrative and finance	74
Engineering, safety and quality control	175
Sales, marketing and customer services	73
Logistics and transportation	18
Total	383

We have policies on compensation and dismissal, equal opportunities, diversity and anti-discrimination. According to our policy, we select, employ, train, remunerate, promote and second employees regardless of their ethnicity, religion, gender and length of service. We review the policies and procedures for recruitment, promotion, training, appraisals and dismissal of our employees from time to time to ensure our potential and existing employees are treated in fair and equal manners. We mainly attract talents by offering competitive salaries, benefits, performance rewards, as well as ongoing training and development opportunities. Our employees were mainly recruited through online platforms, recruitment agencies or by referral.

For FY2017, FY2018 and FY2019, our directors, supervisors and employee remuneration and benefit expenses amounted to RMB49.0 million, RMB58.8 million and RMB64.0 million, respectively, representing 5.5%, 4.7% and 4.8% of our total revenue, respectively.

Remuneration and benefits

The remuneration package of our employees includes basic salary, overtime payment and discretionary bonus, which are generally determined with reference to their qualification, experience and work performance and are reviewed as part of our internal appraisal process on an annual basis. We also provide social insurance and other benefits to our employees, such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance, and personal accident insurance pursuant to the PRC labour law and relevant requirements of the national and local governments. We share the contributions of basic pension insurance, basic medical insurance, unemployment insurance and housing funds with our employees at a certain proportion in accordance with the relevant local requirements. The work injury insurance and maternity insurance are generally paid by us. We review the performance of our employees annually, and apply the results in his or her annual salary review and promotion appraisal. We also offer rewards and promotion opportunities to our employees based on their performance.

Training and development

We believe our employees are the most valuable resources to achieve our success. To ensure the quality of our employees at all levels, we provide both induction and on-the-job training to equip our employees with the necessary corporate information, industry intelligence and technical knowledge in relation to their individual functions. In particular, new employees who work at our operation facilities receive training pertinent to their job duties, which cover topics such as safety knowledge, as well as procedures and protocols relating to quality control and facilities operation and maintenance. These trainings are mostly conducted internally on a regular basis.

As at the Latest Practicable Date, we maintained and managed labour unions that represented all of our employees in the PRC. We acknowledge our employees' membership in the unions and believe that we maintain a constructive relationship with the union members through regular communication with them.

Our Directors confirm that during the Track Record Period, our Group had not encountered any material disputes with our employees, which would have materially adversely affected our business operations and financial performance, nor had we experienced any difficulties in the recruitment and retention of experienced staff.

Occupational health and safety

We are subject to various occupational health and safety laws and regulations in the PRC jurisdiction. See the section headed "Regulatory Overview" in this prospectus for further details.

We are committed to providing a safe and healthy working environment for our employees and have implemented specific measures for this purpose, which include but are not limited to:

(i) requiring our employees to equip themselves with special protective gears before accessing our gas facilities;

(ii) imposing practice of our internal operational guidelines for various processes, such as offloading, gasification, storage and compressed natural gas filling, on our employees;

(iii) appointing our safety inspection team under our safety and quality control department to monitor the implementation of our safety measures; and

(iv) conducting regular training and assessment to help relevant employees understand the technical knowledge, regulations and industry standards on safety matters.

To ensure compliance with and to adhere to the standards prescribed under the relevant health and safety laws while engaging our business activities, the Company has satisfied the requirements under various national industry standards. For further details, see the paragraph headed "Quality Control" in this section.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date:

(i) we had no fatality incidents arising from our operation and project construction and none of our employees had been involved in any major accidents in the course of our operation and project construction;

(ii) we had complied with the applicable national and local health and safety laws and regulations in all material respects;

(iii) the relevant PRC authorities had not imposed any material sanctions, penalties, fines or punishments on us for any non-compliance with any health and safety laws or regulations in the PRC; and

(iv) we were not subject to any claims of material importance for personal or property damage, and for compensation paid to employees.

For risks relating to safety of our operations, please refer to the paragraph headed "Risk Factors – Risks Relating to Our Sales of Gas, Construction and Installation and Other Businesses – We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject" in this prospectus.

In view of the outbreak of COVID-19 in the PRC and to ensure continuous business operations of our Group, we have adopted enhanced hygiene and precautionary measures from February 2020 whereby our employees shall take all practicable steps to maintain a hygienic and safe working environment, which include the following measures:

- requiring our employees to report to our human resources department on (i) details of their travel history during the Lunar New Year holiday; (ii) health conditions of themselves and their close family members; and (iii) other relevant information before returning to office after the Lunar New Year holiday;

- requiring a 14-day self-quarantine for employees who have travelled out of Jiaxing before returning to work;

- regularly cleaning and disinfecting the landed properties owned and leased by us (including our offices and service counters) and our operational facilities;

- monitoring symptoms of our employees and subcontractors by checking their body temperatures on a daily basis;

- requiring our employees to wear face masks at all times during work and report to us promptly whenever they feel unwell;

- requiring our frontline workers to wear face masks, protective clothing and protective goggles when they perform onsite works at our customers' premises; and

- promoting personal hygiene among our employees.

Our Directors expect that the additional costs associated with the enhanced measures would have no significant impact on our Group's financial position for the year ending 31 December 2020.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operation. As certain of our property interests are for property activities and the carrying amount is above 1% of our total assets, we include a property valuation report on such property interests in this prospectus pursuant to Rule 5.01A(1) of the Listing Rules. See Appendix IV to this prospectus for further details.

Owned properties and land use rights

As at the Latest Practicable Date, we had obtained land use rights for 117 parcels of land with an aggregate site area of approximately 254,618.96 sq.m.and have obtained building ownership certificates for 113 properties with a total gross floor area of approximately 68,017.49 sq.m., which are located in Jiaxing, Zhejiang Province.

These owned land and properties are typically used as our (i) LPG storage, bottling and services centres, (ii) offices, including our administration, sales and marketing, and technical departments and PNG customer service terminals, (iii) warehouses and (iv) staff dormitory. In addition, we also leased certain of our owned properties to connected persons and independent third parties during the Track Record Period. For further information, please refer to the paragraph headed "Other business – Leasing of properties" above in this section.

Save as disclosed below in the paragraph headed "Legal and compliance matters – Legal compliance" in this section, our PRC Legal Advisers have confirmed that we have obtained the proper land use rights certificates and building ownership certificates for the aforementioned land and properties, and that we are entitled to use all parcels of land mentioned above and we legally own all of our properties.

Owned sea area use rights

As at the Latest Practicable Date, Hangjiaxin obtained one real property ownership certificate in respect of sea area use rights for an area of approximately 34.6 hectares located in the port of Pinghu City, Zhejiang Province. This sea area is used for construction of dock and port station for the Dushan Port Project. Our PRC Legal Advisers have confirmed that we have obtained the proper certificate for such sea area use rights, and that we are entitled to use such sea areas.

Owned pipeline networks

As at 31 December 2019, we owned the pipeline networks with a total length of approximately 584.7 km in Jiaxing, Zhejiang Province, which comprise (i) our natural gas pipelines of approximately 584.1 km in our Own Pipeline Area under Jiaxing Urban Area Concession and Jiaxing Port Area Concession; and (ii) our vapour pipelines of approximately 630 metres in the Majiabang health food town in the Jiaxing Economic and Technological Development Area.

Our PRC Legal Advisers have confirmed that we have the right to and are entitled to use our own pipeline networks. For the non-compliances relating to our owned pipeline networks, please refer to the paragraph headed "Legal and compliance matters – Legal compliance" below in this section.

Leased properties

As at the Latest Practicable Date, we leased four properties with a total gross floor area of approximately 606.4 sq.m. from Independent Third Parties. Our leased properties are primarily used for warehouses, offices and commercial purposes.

The following table sets out the lease term of our leased properties:

Property address	Term	Use of premises	Approximate gross floor area *(sq.m.)*
Fenghuang Road 689#, 693#, Fengqiao Town, Nanhu District (南湖區鳳橋鎮鳳篁公路689#、693#)	1 May 2019 – 20 April 2021	Business, office, operation, warehouse, showroom	272.3
North of Zhaquan Road, Dushangang Town, Pinghu (Room 333, Management Committee of Zhejiang Dushangang Economic Development Zone) (平湖市獨山港鎮乍全公路北側(浙江獨山港經濟開發區管理委員會333室))	No fixed term	Office	20.0
No. 819, Linggongtang Road, Nanhu District, Jiaxing, Zhejiang Province (浙江省嘉興市南湖區淩公塘路819號)	1 September 2018 – 31 August 2020	Business	276.3
Room 317, Building 7, Huizhong Plaza, Jiaxing (嘉興市匯眾廣場7幢317室)	26 August 2019 – 25 August 2020	Business	37.8

In addition to the land and properties set out above, we also lease natural gas facilities from Jiaxing Pipeline Company which are material for our operation and mainly comprise urban pipeline networks, LNG storage stations. Please refer to the paragraph headed “Principal PNG Operational Facilities” above in this section.

INSURANCE

Apart from the mandatory insurance contributions under the PRC's social insurance system, as at the Latest Practicable Date, we have maintained insurance for (i) our operational facilities, machineries and other properties and (ii) third party liability insurance to cover claims in respect of personal injury or asset loss arising from accidents at our operational facilities or relating to the operation of our natural gas and LPG business, (iii) comprehensive household insurance for our registered customers to cover claims in respect of personal injury or asset loss arising from use of natural gas or LPG in order to ensure safety our residential users. Furthermore, we have taken out a construction work all risks insurance for the Dushan Port Project to cover third party liabilities and material loss arising from the project.

We review our insurance policies from time to time and the insurance policies generally are renewed annually. During the Track Record Period and up to the Latest Practicable Date, we had not made any significant claims under these insurance policies. We believe that the insurance coverage of our natural gas facilities is adequate and standard for natural gas industries in the PRC. Nevertheless, significant damages to our operation facilities or any of our properties, whether as a result of fire and/or any other cause, could still have a material adverse impact on the results of our operations. See the paragraph headed "Risk Factors – Risks Relating to Our Sales of Gas, Construction and Installation and Other Businesses – We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject."

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

During the Track Record Period, we generated the majority of our revenue from our PNG operations pursuant to the Concessions, which is the sales of PNG in our Operating Area. For FY2017, FY2018 and FY2019, we generated approximately 77.2%, 77.9% and 81.0% of our revenue (before government surcharges) respectively, from our sales of PNG. A substantial portion of our revenue was generated from customers located in Jiaxing, Zhejiang Province. Since the outbreak of COVID-19, the local government has introduced a series of measures in order to prevent and control the pneumonia epidemic. According to the Notice of General Office of the People's Government of Zhejiang Province on the Delay of Resumption of Work by Enterprises and Start of School* (《浙江省人民政府辦公廳關於延遲企業復工和學校開學通知》) issued by the People's Government of Zhejiang Province, the resumption of work by enterprises after the Lunar New Year holiday shall be delayed and shall not be earlier than 9 February 2020 in order to effectively strengthen the prevention and control of the spread of COVID-19 in Zhejiang Province. Accordingly, we suspended part of our business operations from 31 January 2020 to 9 February 2020. During the same period, our gas supply, provision of customer services (with adjusted service hours) and emergency services remained normal.

Impact on our business operation

In relation to the sales of gas, our Directors confirm that (i) our gas supply and provision of customer and emergency service have not been disrupted and have remained normal since the outbreak of COVID-19; (ii) prior arrangement including shift work and home office arrangement had been made from 10 February 2020 in ensuring sufficient workforce available for our business operation during and after the Lunar New Year and that all of our staff has resumed to normal work by March 2020 with additional hygiene and precautionary measures in place; (iii) none of the employees of our Group were quarantined or are being quarantined as at the Latest Practicable Date; and (iv) Jiaxing Pipeline Company, our sole direct supplier of PNG for our PNG business, has resumed work on or before early March 2020. Our Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has not encountered and is not expected to experience any shortage in labour or disruption to the supply of PNG. Apart from the temporary suspension of work for our suppliers from 31 January 2020 to early March 2020 without disrupting our gas supply to our customers during the same period, we had not and are not expected to encounter any material supply chain disruption.

The below table sets forth the breakdown of our sales volume of gas for the three months ended 31 March 2020 and the corresponding periods in 2019:

	Sales volume in January (million m^3)		Change in sales volume	Sales volume in February (million m^3)		Change in sales volume	Sales volume in March (million m^3)		Change in sales volume
	2019	2020	(%)	2019	2020	(%)	2019	2020	(%)
PNG	29.9	29.1	(2.8)	24.5	23.8	(2.9)	31.8	31.0	(2.4)
LNG	0.2	0.2	(77.2)	0.1	0.05	(57.6)	0.3	0.5	(44.7)
Sub-Total	30.1	29.3	(2.6)	24.6	23.9	(3.2)	32.1	31.5	(1.9)

	Sales volume in January (million kg)		Change in sales volume	Sales volume in February (million kg)		Change in sales volume	Sales volume in March (million kg)		Change in sales volume
	2019	2020	(%)	2019	2020	(%)	2019	2020	(%)
LPG	1.6	1.1	(31.4)	1.7	0.4	(77.1)	2.1	1.2	(43.6)

The number of non-residential users dropped from approximately 1,300 in January 2020 to approximately 400 in February 2020, as certain enterprises suspended their business operations at the request of the PRC government in view of the outbreak of COVID-19, while we recorded an increase in the number of residential users during the same period. The number of non-residential users increased to approximately 1,000 in March 2020 as most of our industrial and commercial users resumed business operations. As a result, we experienced slight decrease in the overall volume of gas sold from January to March 2020 primarily due to the deceased in usage from these commercial and industrial users. Given that (i) our staff and suppliers have resumed to normal work by early March 2020; and (ii) most of our industrial and commercial users have resumed business operations by early March 2020, our Directors expect that the demand as well as sales volume of our gas will gradually return to normal level. Accordingly, our Directors are of the view that the demand for and revenue generated from our sales of gas had not been materially affected by the COVID-19 pandemic. However, in view of the possible economic impact brought by the outbreak of COVID-19 to the PRC and global economies, it is possible that we may encounter decrease in demand in our PNG in the future due to any deceased economic activities by our industrial and commercial users. Please refer to the paragraph headed "Risk Factors – Risks Relating to Our Sales of Gas, Construction and Installation and Other Businesses – The outbreak of any severe communicable disease, such as COVID-19, if uncontrolled, could adversely affect our results of operations." in this prospectus for details.

In relation to our provision of construction and installation services, in March 2020, one of our customers requested for a refund of deposit from us in accordance with the construction and installation service agreement due to the financial difficulties encountered as a result of the outbreak of COVID-19, which amounted to RMB5,000. In addition, a total of 29 projects for our provision of construction and installation services had been delayed for approximately one month due to the COVID-19 pandemic. Our Directors confirm that the construction and installation works have been resumed by early March 2020. On the other hand, our Directors confirm that we have not and are not expected to encounter difficulties in meeting the milestone or targeted completion date of the construction and installation works despite the postponement of commencement date or delay in schedule for our construction and installation projects, given that all employees of our Group subcontractors engaged by us for carrying our the construction and installation works have resumed work by early March 2020.

In view of the impact of the outbreak of COVID-19 in the PRC on our business operations, our Directors expect that revenue generated from both sales of gas and provision of construction and installation services will decrease in FY2020 as compared with FY2019, as (i) our revenue generated during the COVID-19 outbreak has slightly decreased due to the suspension of business operations for certain enterprises in February 2020; and (ii) the level of industrial and commercial activities is expected to decrease after the COVID-19 pandemic, which, as advised by Frost & Sullivan, was mainly due to the suspension of business operations for certain enterprises in February 2020 and inconvenience to the resumption of normal business operations for enterprises since March 2020 caused by containment measures of COVID-19. However, our Directors believe that such decrease in revenue will not be substantial as (i) considering the basic necessity of natural gas, demand for our sales of gas will not drop significantly; and (ii) majority of our staff, customers and suppliers has resumed normal work by early March 2020 and our business operations has remained at a normal level since then.

Due to the abovementioned reasons, our Directors are of the view that our Group is able to maintain our sales of gas at a stable level and discharge the obligations under all construction and installation service agreements, and therefore there is no material adverse impact on our business operation or on our long-term relationship with our customers.

To prevent any widespread of COVID-19 in our operational facilities and offices, we have adopted enhanced hygiene and precautionary measures whereby our employees and subcontractors shall take all practicable steps to maintain a hygienic and safe working environment. Please refer to the paragraph headed "Employees – Occupational health and safety" in this section above for details.

Impact on Dushan Port Project

The construction work of key operation facilities for Dushan Port Project was suspended from 31 January 2020 to 24 February 2020 as a result of the outbreak of COVID-19. The progress of our construction work was further delayed due to inconsistency of the dates for resumption of work by different down-stream contractors and the unpleasant weather conditions in places where the key operation facilities were located. Accordingly, our Directors expect that it is unlikely that our Group will be able to meet the original expected dates of completion of the key operational facilities, including the construction of docks for LNG vessels and LNG filling facilities. Our Directors currently expect that the Dushan Port Project will commence commercial operations in the second quarter of 2021, subject to the development of COVID-19 and availability of our workers. Please refer to the section headed "Dushan Port Project" in the prospectus for further details.

Impact on our financial liquidity

Our Directors confirm that our Group has sufficient financial resources including cash and cash equivalents and unutilised banking facilities as at 30 April 2020, which amounted to approximately RMB848.8 million, and would be able to meet our essential working capital requirement including administrative expenses, marketing expenses and finance costs. Moreover, after taking into account of (i) our existing cash and cash equivalents; (ii) our unutilized banking facilities; and (iii) the net IPO proceeds (assumed based on the minimum indicative Offer Price at HK$9.00 per Share), our Group will be able to satisfy our operating cost and remain financially viable for at least the next 12 months in case our business operations are being suspended. The key assumptions include (i) we will not generate any income due to the suspension of business; (ii) we will not have to pay subcontracting fee to our subcontractors according to the subcontracting agreements due to suspension of works; and (iii) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (such as basic office maintenance and staff cost and utilities expenses). Therefore, in the unlikely event that the operation of our Group is temporarily suspended, our Group has sufficient working capital to satisfy our requirement. In light of the above, our Directors confirm that the outbreak of COVID-19 does not have a material adverse impact on our Group's continuing business operations or sustainability as (i) the natural gas industry is an industry involving community necessity services and it is unlikely that the PRC government would allow natural gas distributors to suspend natural gas supply; (ii) there has been no material disruption to our sales of PNG business; (iii) the construction and installation service is labour intensive and the majority of our employees and workers of our subcontractors have resumed work; (iv) we do not expect the completion date for our construction and installation works to be materially delayed; (v) save for any unforeseeable circumstances in the PRC, our Group expects to be able to discharge our obligations under all existing construction and installation service agreements; and (vi) our Group has sufficient working capital to maintain our operations.

ENVIRONMENTAL MATTERS

Our operations are subject to environmental laws and regulations relating to the construction and operation of PNG pipelines and stations, noise control, air and water emissions, hazardous substances and waste management. See the section headed "Regulatory Overview" in this prospectus for further details.

Our operation generates various wastages including waste water, gas and solids, some of which are rated as dangerous industrial wastes that require special treatment. To minimise environmental hazards caused by our business, we have adopted the following environmental management measures, among others: (i) installation of re-circulation water cooling system; (ii) installation of sound reduction measures to avoid noise pollution; (iii) engagement of solid waste collectors to collect, transport and treat certain dangerous refuses; and (iv) minimising the amount of residual gas released to the atmosphere at our dispensers.

As confirmed by our PRC Legal Advisers, during the Track Record Period up to the Latest Practicable Date, we were in compliance with the relevant environmental laws and regulations in all material aspects; we did not encounter any material environmental protection incidents and we had not received any claims for failing to comply with the relevant licencing and environmental requirements in material respects; we did not receive any material claims from our customers or residents in the areas we operate for failing to comply with the relevant environmental requirements. We will continue to strictly implement our environmental protection measures to ensure compliance with the applicable PRC laws and regulations.

Our Directors consider that the annual cost of compliance with the applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

COMPETITION

Under the Jiaxing Urban Area Concession and Jiaxing Port Area Concession, we have been granted the exclusive rights to sell and distribute PNG in our Operating Area and the exclusive right to construct and maintain PNG pipelines within our Own Pipeline Area for an initial term of 25 years. Our Operating Area is located within Jiaxing Port Area and Jiaxing Urban Area. Jiaxing Port Area and Jiaxing Urban Area in aggregate occupied approximately 1,041.4 km^2, representing approximately 24.4% of the total area of Jiaxing. However, our Operating Area does not necessarily equate to the entire statutory administrative areas of Jiaxing Urban Area and Jiaxing Port Area. As at the Latest Practicable Date, we do not have any competition for conducting our PNG sale business in the Operating Area in Jiaxing.

While the natural gas industry in Zhejiang Province is fragmented, the natural gas industry in Jiaxing is relatively concentrated. According to the F&S Report, in terms of sales volume in 2019, the top five PNG distributors in Zhejiang Province took up a total share of 20.3%, with us ranking the fifth among approximately 220 natural gas operators in Zhejiang Province, and the top five PNG distributors in Jiaxing accounted for a total share of 60.7%, with us ranking the first, enjoying a market share of 22.7% among approximately 20 natural gas operators in Jiaxing.

New market entrants in Zhejiang Province and Jiaxing natural gas industry may face significant entry barriers since (i) large capital investments are necessary to construct and maintain natural gas operational facilities, such as urban pipeline networks; (ii) they are expected to meet various governmental regulations and qualification requirements and obtain concession agreements for PNG operation; and (iii) natural gas operators have to establish and maintain a solid and long-term relationship with upstream suppliers to ensure stable and reliable natural gas supply for operation and future development. Other factors that could affect our competitiveness include downstream demand, access to natural gas resources, operational capacities and track record.

As the largest PNG operator in Jiaxing in terms of PNG sales volume in 2019, we benefit from the strategic location and economic development of Jiaxing, which has generated an increasing consumption demand for natural gas. Capitalising on our over 20 years of operating history in Jiaxing, we believe that we have maintained good relationships with the local governmental authorities and our major suppliers and have accumulated solid operational track record in our PNG business. With supportive governmental policies and our experienced management and professional employees, we believe we will be able to continue to expand in the natural gas industry in Zhejiang Province and Jiaxing.

LEGAL AND COMPLIANCE MATTERS

Licences and Permits

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained and maintained the validity of all material permits, licences,and approvals from the relevant PRC authorities for our operation. Further information on the material licenses and permits necessary for our operation is set out in the section headed "Regulatory Overview" in this prospectus.

The following table sets forth details of our material licences and permits:

Licence/permit/certificate	Holding entity	Issuing authority	Validity period
Gas Operation Licence (Bottled LPG and LNG and PNG))* (燃氣經營許可證(瓶裝液化石油氣、液化天然氣、管道天然氣))	Our Company	Jiaxing Urban-Rural Planning and Construction Committee* (嘉興市城鄉規劃建設管理委員會)	1 February 2017 to 31 January 2021
	Gangqu Gas	Jiaxing Port Area Planning Construction Bureau* (嘉興港區規劃建設局)	19 December 2019 to 18 December 2023
Gas Operation Licence (Bottled LPG))* (燃氣經營許可證(瓶裝液化石油氣))	Jiaran Liquefied Gas	Jiaxing Urban-Rural Planning and Construction Committee* (嘉興市城鄉規劃建設管理委員會)	1 February 2017 to 31 January 2021

Licence/permit/certificate	Holding entity	Issuing authority	Validity period
Construction Enterprise Qualification Certificate (Third-Grade General Contractor for Municipal Public Works)* (建築業企業資質證書(市政公用工程施工總承包三級))	Jia'an	Jiaxing Urban-Rural Planning and Construction Committee* (嘉興市城鄉規劃建設管理委員會)	25 August 2018 to 25 August 2023
Installation, Alteration, Repair & Maintenance Licence of Special Equipment (Pressure Pipeline)* (特種設備安裝改造維修許可證(壓力管道))		Zhejiang Quality and Technology Supervision Bureau* (浙江省質量技術監督局)	29 September 2018 to 28 September 2022
Gas Cylinder Filing Licence* (氣瓶充裝許可證)	Our Company	Jiaxing Quality and Technology Supervision Bureau* (嘉興市質量技術監督局)	29 June 2017 to 20 June 2021
	Jiaran Liquefied Gas	Zhejiang Quality and Technology Supervision Bureau* (浙江省質量技術監督局)	16 July 2017 to 15 July 2021
Road Transport Business Licence* (道路運輸經營許可證)	Jie'an	Zhejiang Jiaxing Road Transport Administration Bureau* (浙江省嘉興市道路運輸管理局)	21 May 2020 to 21 May 2024
Work Safety Licence* (安全生產許可證)	Jia'an	Zhejiang Housing and Urban-Rural Construction Department* (浙江省住房和城鄉建設廳)	26 September 2018 to 25 September 2021
Hazardous Chemical Operation Licence* (危險化學品經營許可證)	Jia'an	Jiaxing Safe Production Supervision and Administration Bureau* (嘉興市安全生產監督管理局)	11 December 2018 to 10 December 2021

Legal compliance

Save for the incidents of material non-compliance set out below, our Directors are not aware of any incident of material non-compliance of our Group with applicable laws and regulations during the Track Record Period:

Non-compliance incident	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial measures and enhanced internal control	Potential impact on our operations and financial conditions
(1) During the Track Record Period, the construction work on the land situated at the south of the Zhawang Highway, the north of Pinghu Pond, and the south side of Dawang River of site area of approximately 16,600.0 sq.m. had been delayed for more than two years from the prescribed construction commencement date and construction completion date under the land grant contract and the relevant supplemental agreements. According to the relevant supplemental agreements, the prescribed construction completion date was 30 June 2013. As at the Latest Practicable Date, approximately 7,244.3 sq.m. of the site area were leased to Jiaxing Pipeline Company for construction of buildings in relation to operation of natural gas gateway station. For details, please refer to the paragraph headed "Continuing connected transactions – Exempt continuing connected transactions – Lease of property to Jiaxing Pipeline Company by our Group" in this prospectus. Construction has not been commenced and relevant land remained idle as at the Latest Practicable Date, resulting in a delay for more than two years from the prescribed construction commencement date and construction completion date.	The construction work on the relevant land was part of a major infrastructure construction project. The failure to commence construction on time on the land was mainly due to the delay in the construction of other associated sections of the infrastructure. The local government amended the site planning in respect of the land and considered that the failure to commence and complete the relevant construction work was attributable to the government.	According to the Measures on the Disposal of Idle Land (「閒置土地處置辦法」), we may be subject to an idle land fee at an amount being 20% of the land grant premium (equivalent to RMB796,800), or even the risk of the PRC government resuming the right to use the relevant land without compensation. Further, according to the relevant land grant contract and the relevant supplemental agreements, we may be subject to idle land fees at amounts being 1‰ and 0.2‰ of the land grant premium on a daily basis from the date of the relevant supplemental agreement (23 July 2012) and the prescribed construction completion date (30 June 2013), respectively.	Jiaxing Natural Resources and Planning Bureau Nanhu Branch* (嘉興市自然資源和規劃局南湖分局) ("**Jiaxing NRPB Nanhu**") has issued a written confirmation in July 2019 (the "**Jiaxing NRPB Confirmation I**") stating that as at the date of the Jiaxing NRPB Confirmation I, i) we had been granted the relevant land by means of agreement for public utilities usage and had paid the land grant premium prescribed in the land grant contract; ii) the relevant land grant contract continued to be effective and the development and utilisation of the relevant land had been under the supervision of Jiaxing NRPB Nanhu; and iii) we had not been subject to any penalty due to breach of PRC laws or regulations or any complaint in relation to administration of land since 1 January 2016. Jiaxing Natural Resources and Planning Bureau* (嘉興市自然資源和規劃局) ("**Jiaxing NRPB**") has further issued a written confirmation in November 2019 ("**Jiaxing NRPB Confirmation II**"), stating that Jiaxing NRPB has been aware that the reason for the non-compliance was attributed to the local government and agrees that it will not impose any penalty or idle land fee on us, resume the relevant land or hold us liable for breach of the land grant contract currently and in the future. We intend to utilise the rest of the site area to construct a gateway station for receiving and distributing natural gas procured under the Dushan Port Project. Such construction is expected to be completed by the fourth quarter of 2020 subject to regulatory approval. To ensure the ongoing compliance with the relevant laws and regulations, Mr. Xu Songqiang, our executive Director and our standing deputy general manager, will be assigned to i) supervise and oversee (a) the implementation of the provisions relating to the transfer and development of land; and (b) filings of written notices to the relevant government bodies for the application of relevant construction work permit and/or extension of the relevant construction works and other significant matters affecting the commencement date of the construction and the completion date; and ii) have regular meetings with project management department to update the progress report of permits application.	Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not received any idle land investigation notice and/or notice ordering us to pay liquidated damage and/or penalty in relation to the delay in commencement or completion of construction from the relevant government authorities. Our Directors also confirm that, as the land will not be resumed by the PRC government according to the Jiaxing NRPB Confirmation II, this non-compliance incident will not materially affect our normal business operation. Further, the Concert Parties have undertaken to indemnify us for all claims, costs, expenses and losses incurred as a result of such non-compliance incident. Based on i) the Jiaxing NRPB Confirmation I and II; ii) the indemnity given by the Concert Parties; and iii) we have undertaken the corresponding remedial measures, our PRC Legal Advisers are of the view that the risk of any idle land fee, liquidated damage being imposed on us for delay in commencement of construction and passing completion inspection, and resumption of the right to use the relevant land without compensation by the competent authority as a result of the non-compliance is remote, and the non-compliance will not pose any impediment to the Listing. Based on i) the Jiaxing NRPB Confirmation I and II; ii) the opinion of our PRC Legal Advisers; and iii) the indemnity given by the Concert Parties, our Directors consider that such non-compliance will not have any material operational or financial impact on us. On the basis of the above, we made no provision in this regard.

Non-compliance incident	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial measures and enhanced internal control	Potential impact on our operations and financial conditions
(2) During the Track Record Period, we failed to (a) make full contributions to the social insurance and housing provident funds for our employees according to the basis required by the relevant PRC laws and regulations; (b) undertake social insurance and housing provident fund registrations for some of our employees; and (c) make our contributions to the social insurance and housing provident funds for some of our employees.	The non-compliance was primarily due to the fact that the relevant PRC employees were reluctant to participate in the social insurance and housing provident funds as they did not want to bear their portion of contribution. In addition, the implementation and/or interpretation of the PRC laws and regulations by local authorities were inconsistent and the administrative managers of our subsidiaries lack of understanding of the relevant PRC laws and regulations.	According to the requirements of Article 84 and Article 86 of the Social Insurance Law of the People's Republic of China (「中華人民共和國社會保險法」), if an employer does not undertake social insurance registrations for its employees, the social insurance administrative department may order the employer to make such registrations within a stipulated time period. If the employer fails to comply with such order, the employer may be liable to a fine in a range of one to three times of the social insurance premium concerned. Further, If an employer fails to pay the social insurance premiums on time or in full, the social insurance premium collection institution will demand the employer to make the payment or make up the difference within a stipulated period and impose a daily overdue fine of 0.05% from the date on which the payment is overdue. If the overdue amount is still not settled within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment. Pursuant to the requirements of Article 37 and Article 38 of the Regulations concerning the Administration of Housing Provident Fund (「住房公積金管理條例」), if an employer does not undertake housing provident fund registrations for its employees, the housing provident fund administration centre may order the employer to make such registrations within a stipulated time period. If the employer fails to comply with such order, the employer may be liable to a fine in a range of RMB10,000 to RMB50,000. Further, If an employer breaches these regulations and fails to pay the housing provident fund contributions on time or in full, the housing provident fund administration centre will demand such employer to pay up within a designated period, and may apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.	Our PRC Legal Advisors have interviewed the respective PRC social security affairs centres on 19 July 2019 and 22 July 2019, tax bureaus on 24 July 2019, 25 July 2019 and 30 July 2019, and housing provident fund management centres on 22 July 2019 and 26 July 2019, which confirmed, among other things, that we had not been subject to any complaint, dispute, investigation or administrative penalty for such non-compliances. According to our PRC Legal Advisers, the respective PRC social security affairs centres, tax bureaus and housing provident fund management centres are the competent authorities directly supervising the compliance of social insurance and housing provident fund requirements. We will provide training regarding social security insurance and housing provident fund to relevant PRC employees to keep them abreast of latest development in relevant PRC laws and regulations. We will also distribute an updated employee handbook to all employees whereby the requirement to contribute the social security insurance and housing provident fund in accordance with the relevant laws and regulations has been updated and defined in the employee handbook. We confirm that, as at the Latest Practicable Date, the social insurance and housing provident fund registration for all employees has been completed. As at the Latest Practicable Date, we have not received any request by the relevant government authorities to pay for the underpaid amount of social insurance contributions nor any notice or instruction as to the procedures in making such contributions. We confirm that we have made contributions to social insurance and housing provident fund in full amount after rectification since July 2019 and August 2019 respectively. We further undertake that, (i) going forward, we will continue to make contributions to social insurance and housing provident fund in full amount as required by the PRC government; and (ii) upon request, we will fully pay the underpaid social insurance and housing provident fund contributions.	For FY2017, FY2018 and FY2019, our underpaid social insurance contributions and housing provident fund contributions were RMB2.5 million, RMB3.0 million and RMB2.9 million, respectively, for the same periods. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalty or order to pay for the underpaid amount of social insurance and housing provident fund contributions by the relevant authorities. In respect of our failure to undertake the housing provident fund registrations, our PRC Legal Advisers have advised us that in view of the facts that i) we have completed the relevant registrations by 22 August 2019, and ii) by the time of our completion of the registrations, we had not been ordered by any relevant authority to complete the registrations within a stipulated time period, we will not be penalised for such non-compliance. In respect of our failure to make full contribution to the housing provident funds, our PRC Legal Advisers, based on i) the relevant interviews with the competent authorities and ii) our Directors' confirmation that we had not been subject to any penalty or order to pay for the underpaid housing provident fund contributions by the relevant authorities during the Track Record Period and up to the Latest Practicable Date, have advised us that if the relevant authorities order us to pay up the underpaid housing provident fund contributions within a stipulated time period and we comply with such order, we will not be subject to any administrative penalty for the non-compliance. In respect of the non-compliances in our social insurance registration and contribution, our PRC Legal Advisers are of the view that based on i) the interviews with the competent authorities and ii) our Directors' confirmation that we had not been subject to any penalty or order to pay for the underpaid amount of social insurance contributions by the relevant authorities during the Track Record Period and up to the Latest Practicable Date, the risk of us (including Hangjiaxin) being ordered to pay for the underpaid amount of social insurance contributions and being penalised for such non-compliances by the relevant authorities is low. Further, the Concert Parties have undertaken to indemnify us for all claims, costs, expenses and losses incurred as a result of such non-compliances. Based on i) the opinion of our PRC Legal Advisers and ii) the indemnity given by the Concert Parties, our Directors consider that such non-compliances will not have any material operational or financial impact on us. We made full provision for the underpaid social insurance contributions and housing provident fund contributions in respect of this non-compliance in the amount of RMB2.5 million, RMB3.0 million and RMB2.9 million, for FY2017, FY2018 and FY2019, respectively.

Save for the incidents of systemic non-compliance set out below, our Directors are not aware of any incident of systemic non-compliance of our Group with applicable laws and regulations during the Track Record Period:

Non-compliance incident	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial measures and enhanced internal control	Potential impact on our operations and financial conditions
(1) Jiaxing Urban Operating Area natural gas expansion and alteration works and ancillary construction				
This construction project involves the expansion and alteration of natural gas pipeline networks in Jiaxing Urban Operating Area of approximately 77 km in length and the installation and alteration of ancillary facilities. As at the Latest Practicable Date, the construction works had not been completed. We commenced construction works for this project before obtaining the requisite construction work planning permit and construction work commencement permit.	We commenced construction of the project to ensure prompt supply of natural gas to new users in the relevant area due to urgent needs.	According to the Urban and Rural Planning Law of the PRC (「中華人民共和國城鄉規劃法」), for failure to obtain the construction work planning permits, the relevant authorities may order us to i) stop the construction work; and ii) rectified the non-compliance, if possible, and imposed a fine of 5% to 10% of the construction contract sum or demolish the building within a specified deadline or confiscate building and/or the illegal income and impose a fine less than 10% of the construction contract sum. According to the Measures for the Administration of Construction Permits for Construction Projects (「建築工程施工許可管理辦法」), for failure to obtain the construction work commencement permits, the relevant authorities may order us to stop the construction work and we may be liable for a fine in a range from 1% to 2% of the construction contract sum.	In respect of the non-compliances in projects (1), (2), (3)(a), (3)(b) and (3)(c), we have obtained a written confirmation collectively issued by Jiaxing Development and Reform Committee* (嘉興市發展和改革委員會) ("**JDRC**"), Jiaxing Natural Resources and Planning Bureau* (嘉興市自然資源和規劃局) ("**JNRPB**"), Jiaxing Ecology and Environment Bureau* (嘉興市生態環境局) ("**JEEB**") and Jiaxing Housing and Construction Bureau* (嘉興市住建局) ("**JHCB**") in July 2019 (the "**Collective Confirmation I**"), which confirmed, among other things, that • the relevant local authorities were aware of the reasons for and the background of the non-compliance incidents and had no controversy with respect to the projects under construction (1) and (2), and completed projects (3)(a), (3)(b) and (3)(c), which are invested, constructed and operated by us; • the self-invested pipelines created from our projects under construction (1) and (2), and completed projects (3)(a), (3)(b) and (3)(c) (comprising the natural gas pipelines and vapour pipelines that were constructed from 1 January 2016 to the date of the confirmations) are our assets and we are fully entitled to such pipelines; • in view of the fact that the completed projects (3)(a), (3)(b) and (3)(c) had been under normal operation, such projects complied with the regulatory requirements on investment project approval, land usage, urban-rural planning and construction and we no longer need to make up the relevant filings for such projects; and • we were in the process of completing the relevant filings for the projects under construction (1) and (2), and no substantive impediments are foreseen that will prevent us from completing the relevant filings. Based on the above, the Collective Confirmation I further confirmed that the non-compliances in the above mentioned projects would not i) affect our operation from 1 January 2016 to the date of the confirmation; ii) affect our ownership, occupation and utilisation of the relevant projects under construction and completed projects and the assets created therefrom; iii) result in the demolishment or confiscation of the relevant assets; iv) make our income generated from the completed projects (3)(a), (3)(b) and (3)(c) during the above mentioned period illegal; or v) subject us to any penalty by the relevant authorities. According to our PRC Legal Advisers, JDRC, JNRPB, JEEB and JHCB are the competent authorities to issue the Collective Confirmation I. To ensure the ongoing compliance with the relevant laws and regulations, Mr. Xu Songqiang, our executive Director and our standing deputy general manager, will be assigned to (i) supervise and oversee (a) the implementation of the provisions relating to construction projects; and (b) the filings for the relevant approvals, opinions and permits for our construction projects; and (ii) have regular meetings with our project management department to update the progress report of the relevant application progress.	Our Directors confirm that, during the Track Record Period and as at the Latest Practicable Date, we had not been subject to any penalty, or order to suspend our construction or return the relevant land, or confiscation of our assets and income created from the relevant projects as a result of the non-compliances mentioned in items (1), (2) and (3). The Concert Parties have undertaken to indemnify us for all claims, costs, expenses and losses incurred as a result of such non-compliances mentioned in items (a) and (b). Based on i) the Collective Confirmation I and II issued by the relevant authorities, and ii) the indemnity given by the Concert Parties, our PRC Legal Advisers are of the view that i) the possibility of us being subject to administrative penalties for such non-compliances is low; and ii) the non-compliances will not have any material adverse impact on our operations and the Listing. Based on i) the opinion of our PRC Legal Advisers and ii) the indemnity given by the Concert Parties, our Directors consider that such non-compliances will not have any material operational or financial impact on us. On the basis of the above, we made no provision in this regard.

Non-compliance incident	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial measures and enhanced internal control	Potential impact on our operations and financial conditions
(2) Majiabang heat energy pipeline network construction				
This construction project involves the construction of pipeline networks of 15,000 m in length in the Jiaxing Economic- Technological Development Area. As at the Latest Practicable Date, the construction works had not been completed. We commenced construction works for this project before obtaining the requisite location opinion, construction land planning permit, construction work planning permit and construction work commencement permit.	We commenced construction of the project to support the energy supply to the relevant area due to urgent needs.	According to the Urban and Rural Planning Law of the PRC (「中華人民共和國城鄉規劃法」), for failure to obtain the construction land planning permits, the relevant authorities may revoke the relevant project approval documents granted to us and may order us to return the relevant land and pay compensations. According to the Administrative Measures on Construction Project Location Planning (「建設項目選址規劃管理辦法」), applications for approval of the design of construction projects within the city planning area shall be affixed with a location opinion issued by the administrative department of city planning. According to the Administrative Measures on Pipeline Project Planning of Jiaxing (「嘉興市管線工程規劃管理辦法」), application for a location opinion for construction project is required for pipeline projects that i) involve gas pipelines with diameters of and above 250 millimetres or ii) require use of land. As advised by our PRC Legal Advisers, the above measures provide no penalty for failure to obtain location opinion for construction projects. For the legal consequences of failure to obtain construction work planning permit and construction work commencement permit, please refer to item (1) above.	Please refer to item (1) above.	Please refer to item (1) above.

Non-compliance incident	Reasons for non-compliance	Legal consequences including potential maximum penalty and other financial liabilities	Remedial measures and enhanced internal control	Potential impact on our operations and financial conditions
(3) During the Track Record Period, we had completed construction projects in: (a) Own Pipeline Area under Jiaxing Urban Area Concession (save and except the Jiulong Mountain Tourist Resort); (b) Own Pipeline Area under Jiaxing Port Area Concession; (c) Majiabang health food town in the Jiaxing Economic and Technological Development Area (in respect of piped vapour); and (d) Jiulong Mountain Tourist Resort (under the Jiaxing Port Area Concession) We commenced construction works for these projects without obtaining the respective investment project approval documents, location opinion, construction land planning permits, construction work planning permits, and construction work commencement permits We also failed to complete the respective construction completion inspections prior to the commencement of operation in respect of these projects.	Certain projects were carried out in an early time when the relevant laws and regulations had not been clearly formulated and the responsibilities and administrative policies of the relevant authorities had been under constant adjustment. In addition, the projects conducted in recent years involve the infrastructure and public utilities of the relevant areas and the local government had tight schedules for the construction and operation thereof.	According to the Regulation on the Administration of Approval and Filling of Enterprise Investment Projects (「企業投資項目核准和備案管理條例」), for failure to obtain the investment project approval documents before commencement of construction, the relevant authorities may order us to suspend our construction and may impose a fine in a range of 0.1% to 0.5% of the total project investment amount. For failure to file the project information with the relevant authorities, the relevant authorities may order us to file such information within a stipulated period. If we fail to comply with such order, we may be liable to a fine of RMB20,000 to RMB50,000. According to the Regulations on Construction Engineering Quality Management (「建設工程質量管理條例」) and the Administrative Measures of Completion Inspection Filing for Housing and Public Infrastructure Construction Projects (「房屋建築和市政基礎設施工程竣工驗收備案管理辦法」), i) for failure to complete the construction completion inspection prior to commencement of operation, we may be liable for a fine of 2% to 4% of the construction contract sum; and ii) for failure to complete the construction completion filing within 15 days after passing the completion inspection, we may be liable for a fine of RMB0.2 million to RMB0.5 million. For the legal consequences of failure to obtain location opinion, construction land planning permit, construction work planning permit and construction work commencement permit, please refer to items (1) and (2) above.	For the remedial measures and enhanced internal control for the non-compliances of projects (3)(a), (3)(b) and (3)(c), please refer to item (1) above. In respect of the non-compliances in project (3)(d), we have obtained a written confirmation collectively issued by Jiaxing Port Area Economic Development Bureau* (嘉興港區經濟發展局) ("**JPEDB**") and PAPCB on 26 September 2019 (the "Collective Confirmation II"), which confirmed, among other things, that • the relevant local authorities were aware of the reasons for and the background of the non-compliance incidents and had no controversy with respect to the completed project (3)(d), which is invested, constructed and operated by us; • our self-invested pipelines created from the completed project (3)(d) (comprising the natural gas pipelines that were constructed from 1 January 2016 to the date of the confirmations) are our assets and we are fully entitled to such pipelines; and • in view of the fact that the completed project (3)(d) had been under normal operation, such project complied with the regulatory requirements on investment project approval, land usage, urban-rural planning and construction. Based on the above, the Collective Confirmation II further confirmed that the non-compliances in project (3)(d) would not i) affect our operation from 1 January 2016 to the date of the confirmation; ii) affect our ownership, occupation and utilisation of the relevant completed project and the assets created therefrom; iii) result in the demolishment or confiscation of the relevant assets; iv) make our income generated from the project during the above mentioned period illegal; or v) subject us to any penalty by the relevant authorities. According to our PRC Legal Advisers, JPEDB and PAPCB are the competent authorities to issue the Collective Confirmation II. For our enhanced internal control in respect of item (3), please refer to item (1) above.	Please refer to item (1) above.

Views of our Directors and the Joint Sponsors

On the basis that:

(i) the reason for the non-compliance in relation to the idle land is attributable to the local government, which is beyond our control and is not related to the competency or integrity of the Directors;

(ii) we can still meet the profit requirement taking into account the immaterial rental income generated from the lease of part of the idle land and the potential penalties resulting from the non-compliance incidents, including the amount of idle land fee and the amount of underpaid social insurance and housing provident funds;

(iii) the confirmations from and the interview records with relevant competent government authorities which indicate that the relevant authorities will not/are unlikely to impose any penalty on our Company;

(iv) the PRC Legal Advisers have opined that the risk of our Group being penalised in respect of the non-compliance incidents is either low or remote; and

(v) we have implemented the rectification measures and enhanced internal control measures to ensure ongoing compliance,

the Directors are of the view, and the Joint Sponsors concur, that such non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for the formulation of, and overseeing the implementation of, the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. We have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

We have adopted the following policies and procedures for internal control and risk management:

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

(2) we have appointed BOCOM International (Asia) as our compliance adviser upon the Listing to advise our Group on compliance matters in accordance with the Listing Rules;

(3) we will consider appointing a qualified PRC law firm as our external PRC legal advisers which will assist us in performing the requisite legal due diligence and complying with the relevant laws and regulations in respect of our business operations;

(4) we will provide our Directors, senior management and employees involved with training and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time;

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

(6) we will consider appointing an external Hong Kong legal adviser to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

In order to ensure that our internal control procedures are sufficient for management of external and internal risks, we have engaged an internal control consultant (the "**Internal Control Consultant**") to conduct a review of our internal control systems in March 2019 and the material findings in our internal control system as identified by the Internal Control Consultant include the followings:

(a) failed to establish an independent internal audit department;

(b) lacked legal affairs tracking management procedures or processes; and

(c) failed to establish project progress tracking ledger.

The Internal Control Consultant recommended a number of measures to improve our internal control system based on its findings, including:

(a) establishing an internal audit department which directly reports to the audit committee under the board of Directors with an updated internal audit management measures clarifying the reporting objects, work scope, duties and responsibilities, reporting system and implementation standards of internal control;

(b) setting up compliance committee comprising our Directors and senior management, which is led by Mr. Xu Songqiang, our executive Director and our standing deputy general manager, under the board of Directors for reviewing, supervising, inspecting the compliance of business management and practice and holding regular meetings on compliance matters regularly; and

(c) establishing a project ledger to summarise our project progress where our engineering department is responsible to compare and analyse reasons for the differences between the actual progress and the original plan of our projects and to record them in the ledger.

Our Directors confirm that we have implemented the relevant suggestions proposed by our internal control consultant. The Internal Control Consultant raised no further comment in follow-up review in May 2019.

As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate. We will continue to review our internal control systems to ensure compliance with applicable regulatory requirements.

BACKGROUND

In July 2017, we, together with Hangzhou Gas and GCL Petroleum (Ping Hu) Holdings Limited* (協鑫石油天然氣(平湖)控股有限公司) ("**GCL**") (both of them are Independent Third Parties), co-invested and set up Hangjiaxin, the joint venture established primarily to undertake the Dushan Port Project.

At the time when Hangjiaxin was established, the total registered capital of Hangjiaxin was RMB500 million, of which 34% was held by us. The remaining registered capital of Hangjiaxin was held as to 33% by Hangzhou Gas and 33% by GCL. Subsequently, in April 2018, GCL sold all of its 33% equity interests in Hangjiaxin, of which 17% to us at nil consideration, and 16% to Hangzhou Gas at nil consideration, but temporarily held by Jiaxing Yunheng Information Technology Company Limited* (嘉興市運恒信息技術有限公司) ("**Yunheng**"), which, was majority-owned by Mr. Sun ultimately, on behalf of Hangzhou Gas, with the view to simplify the transaction process as it would require longer time for the transaction to be approved through the internal process of Hangzhou Gas. The considerations of the above transactions were determined on the basis that GCL had not yet paid up any registered share capital to Hangjiaxin at the time of the above transactions. Yunheng agreed to fulfill the obligation to pay up the registered share capital accordingly for Hangzhou Gas during the interim period. In September 2019, Yunheng transferred all of its 16% equity interest in Hangjiaxin to Hangzhou Gas for cash consideration of RMB24,361,733.31. Such consideration was determined based on, at the material time, the latest audited net asset value of Hangjiaxin as at 31 December 2018, which also reflected the registered share capital paid up by Yunheng during the interim period. Hence, upon completion of these transfers, and up to the Latest Practicable Date, we were the holder of 51% equity interest, where Hangzhou Gas owned 49% of Hangjiaxin's equity interest. The registered capital of Hangjiaxin was RMB700 million as at the Latest Practicable Date, of which RMB151.86 million and RMB152.45 million have been paid up by Hangzhou Gas and us, respectively, and the remaining amount of RMB191.14 million and RMB204.55 million shall be paid up by Hangzhou Gas and us, respectively, by July 2067.

Hangzhou Gas was established in the PRC in September 2001. Hangzhou Gas was a wholly-owned subsidiary of China Hangzhou Urban Construction Assets Management Company Limited* (杭州市城市建設投資集團有限公司) which was owned as to 98.9% by the Hangzhou Municipal Government* (杭州市政府) and 1.1% by China Development Fund Company Limited* (國開發展基金有限公司) as at the Latest Practicable Date. Its principal business is natural gas concession operation in Hangzhou.

REASONS FOR INVESTING IN THE DUSHAN PORT PROJECT

Our Directors have taken into account the following factors and reasons when we decided to invest in Hangjiaxin, in order to carry out the Dushan Port Project:

Capture the opportunities arising from the government's opinion in relation to the construction of coastal LNG terminals and storage tanks for the receipt and storage of LNG: The NDRC and the National Energy Administration promulgated the Advice on Accelerating the Construction of Gas Storage Facilities and Improving the Market Mechanism of Gas Storage and Peak Adjustment Auxiliary Services (《關於加快儲氣設施建設和完善儲氣調峰輔助服務市場機制的意見》發改能源規[2018]637號) (the "**Advice**") in April 2018. According to the Advice, in view of the historical intense situation of the natural gas supply in the PRC, the PRC government set down certain directions to accelerate the construction of gas storage facilities for natural gas companies, in particular, to construct coastal LNG terminals and storage tanks for receipt and storage of LNG, which shall be supported by gasification facilities, PNG pipelines and tankers to fully promote the distribution channels of natural gas, and support the gas peak adjustment and emergency system in order to ensure the long-term stable gas supply. Our Directors believe that through the Dushan Port Project, we could capture the opportunities arising from the implementation of the directions stipulated in the Advice.

Favourable government policies promoting the use of natural gas: According to the "Strategic Action Plan for Energy Development" (能源發展戰略行動計劃(2014-2020)), by 2020, the shares of natural gas and non-fossil energy consumption in China are expected to increase, reaching 10% and 15%, respectively. According to the "13th Five-Year Plan for Energy Development" (能源發展 "十三五"規劃(2016-2020)), the share of coal consumption is expected to be reduced to below 58.0% by 2020. The above energy planning policies are expected to accelerate the development of China's natural gas industry and gradually optimise the structure of the energy consumption. It is expected that the natural gas consumption will reach 13.2% of the total energy consumption of the PRC in 2024.

Anticipated increase in demand for import of natural gas: China has long been relying on LNG import to sustain its ever increasing natural gas consumption. According to the F&S Report, the consumption volume of natural gas in Zhejiang Province witnessed an increase at a CAGR 13.7% from 7.8 billion m^3 in 2014 to 14.8 billion m^3 in 2019, and is forecasted to reach 25.7 billion m^3 in 2024, at a CAGR of 12.4% from 2020 to 2024 (compared to 12.0% for the PRC from 2020 to 2024). The import volume of LNG in Zhejiang Province had increased significantly since 2014 from 1.1 million tonnes to 6.0 million tonnes in 2019 at a CAGR of 40.4%, and is expected to achieve 12.0 million tonnes in 2024, at a CAGR of 15.3% from 2020 to 2024. The percentage of LNG import volume in the natural gas consumption of Zhejiang will also witness a further increase and reach 63.5% in 2024. As we are one of the two natural gas concession operators in Zhejiang Province investing in and managing a LNG storage and transportation station to import LNG from overseas, we believe that the Dushan Port Project can leverage the expected increase in demand for LNG import in China, while we can also further integrate our natural gas sourcing channel as a natural extension of our current business operation.

Diversify our source of supply of natural gas to enjoy cost advantage: During the Track Record Period, we sourced PNG from Jiaxing Pipeline Company, being our sole direct PNG supplier, and from various local LNG suppliers from time to time. Our purchase price of PNG is regulated by the Jiaxing Municipal People's Government. Our Directors believe that the storage and transportation station established under the Dushan Port Project will allow Hangjiaxin to effectively source LNG from overseas suppliers via international shipping, which in turn will enable us to further diversify our source of supply of natural gas and simplify our natural gas supply chain, gain access to more market information on natural gas source for our procurement decision and acquire LNG at possibly lower cost. As such, we will be able to reduce our reliance on our existing intermediary natural gas suppliers and have a better control on our cost of natural gas procurement.

Less restrictive regulatory regime for LNG: According to our PRC Legal Advisers, PNG business is considered as part of the municipal public utilities projects and is regulated by Measures for the Administration on the Franchise of Municipal Public Utilities (市政公用事業特許經營管理辦法) promulgated on 19 March 2004 and amended on 4 May 2015 and the Measures for the Administration of Concession for Infrastructure and Public Utilities (基礎設施和公用事業特許經營管理辦法) promulgated on 25 April 2015. Companies operating a PNG business have to be granted with concession rights for municipal public utilities projects, confined to a franchise area, before they can conduct such business. Further, according to the PRC Pricing Law, the PRC government may direct, guide or fix the prices of public utilities. The Jiaxing Municipal People's Government determines the benchmark gateway station price on which our purchase price for PNG is based, and the end-user prices at which we could sell PNG to the end-users. While the operation of PNG business is relatively restricted, the operation of a LNG business is subject to a less restrictive regulatory regime with no restriction on operating area and the price of which we purchase and sell LNG is determined by the market. As such, the Dushan Port Project can help us expand our business presence beyond our Operating Area by importing LNG into and supplying LNG out of Jiaxing and allow us to fully capitalise the difference between the price of LNG Hangjiaxin purchases and sells from the Dushan Port Project.

Please also refer to the section headed "Regulatory Overview" in this prospectus.

CERTAIN KEY PROVISIONS OF THE ARTICLES OF ASSOCIATION OF HANGJIAXIN

The following table sets forth a brief summary of certain key provisions of the articles of association of Hangjiaxin:

Equity holders :	As at the Latest Practicable Date, Hangjiaxin's equity interests are owned as follows: 51% – our Group 49% – Hangzhou Gas
Initial capital and stage of injection:	The registered capital of Hangjiaxin is RMB700 million, of which RMB304.3 million has been paid up as at the Latest Practicable Date and the remaining amount of RMB395.7 million shall be paid up by us and Hangzhou Gas in proportion to their equity interest by July 2067
Board composition:	We have the right to nominate four out of seven directors. Hangzhou Gas has the right to nominate three out of seven directors
Chairman:	Hangzhou Gas has the right to nominate the chairman
General manager and standing deputy general manager:	We have the right to nominate the general manager (who shall also be the legal representative) and standing deputy general manager. As at the Latest Practicable Date, Mr. Sun and Mr. Xu Songqiang were nominated as the general manager and standing deputy general manager of Hangjiaxin respectively
Legal representative:	The general manager shall be the legal representative
Chief financial officer:	Hangzhou Gas has the right to nominate the chief financial officer
Shareholders' approvals:	All matters which are to be resolved at the general meetings shall be approved by not less than two-thirds of the voting rights held by the equity holders

Matters requiring approvals from equity holders in general meetings:	These matters include the following: – resolve operation directions and investment plans – approve reports from directors – review and approve financial budgets – review and approve dividend plans – approve increase/reduction in registered capital – approve amendments to the articles of association
Board approvals:	All matters which are to be resolved at the board meetings shall be approved by not less than two-thirds of the directors
Management structure:	The key management organisation shall comprise of one general manager, one standing deputy general manager, a number of deputy general managers and one chief financial officer. The general manager shall be accountable to the board of directors, and shall be responsible for matters including the following: – implement all matters resolved by the board, and execute all related documents towards third parties – according to the authorisations from the board, supervise the daily operation and management
Transfer of equity interests:	Without prior written consent of the other equity holder(s) of Hangjiaxin, any equity holder shall not (a) transfer any of its equity interest in Hangjiaxin to any third party; or (b) create or permit to exist any encumbrances over any of its equity interest in Hangjiaxin
Duration of operations:	Initially 50 years, from the date of the business licence (i.e. 24 July 2017)

Dividend policy: Hangjiaxin may declare dividend from the profit after tax according to the following procedures:

1. compensate the loss in the preceding financial years, if any

2. allocate 10% of the profit after tax to statutory surplus reserves. When the accumulated allocations to statutory surplus reserves reach 50% of its registered capital, it can cease to make allowances for allocation to such statutory surplus reserves

3. according to the board resolution, if any, allocate an agreed portion of the profit after tax to surplus reserves

4. distribute the remaining profit after tax according to the respective interests of the equity holders

HANGJIAXIN AS OUR JOINT VENTURE

We hold the majority of the equity interests in Hangjiaxin, and have the right to appoint four out of seven directors in its board of directors. As such, Hangjiaxin is considered as a subsidiary of our Company under the Listing Rules. However, all matters which are to be resolved at the general meetings of Hangjiaxin are required by its articles of association to be approved by not less than two-thirds of the voting rights held by the equity holders, and all matters which are to be resolved at the board meetings of Hangjiaxin are required by its articles of association to be approved by not less than two-thirds of the directors. As a result of the foregoing contractual arrangement, Hangjiaxin is regarded as a joint venture to our Group pursuant to the relevant accounting standards and accounted for under equity accounting method. Our Group would share the operating result of Hangjiaxin according to our equity percentage owned in each of the financial reporting period and recover our investment made principally through the dividend distribution from Hangjiaxin.

Notwithstanding this accounting treatment, our Directors consider us being in the position to manage the day-to-day operations of Hangjiaxin. Pursuant to the articles of association of Hangjiaxin, we enjoy the rights to nominate the legal representative and the general manager of Hangjiaxin, which are the key positions for the daily operations and management of Hangjiaxing. Moreover, with us having the majority of the registered capital and the majority control of the board of directors, Hangjiaxin will not be able to take any significant corporate actions without our approval.

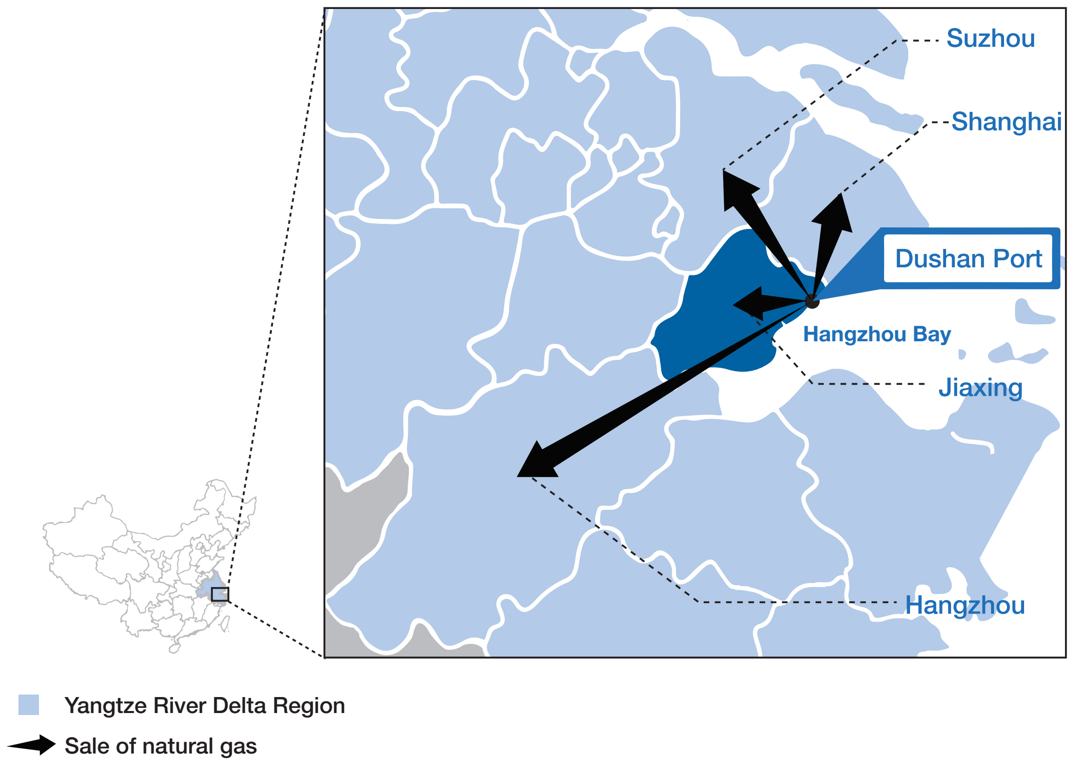
OVERVIEW OF THE DUSHAN PORT PROJECT

Hangjiaxin was set up primarily to implement the Dushan Port Project, which is the establishment of an LNG storage and transportation station at Dushan Port for the import and storage of LNG to meet the demand for natural gas in Jiaxing and neighbouring cities. Upon completion of the construction of the Dushan Port Project, it is expected to have a LNG storage capacity of 200,000 m^3 (equivalent to approximately 120 million m^3 of natural gas in gaseous state) and an annual transaction volume of 0.4 million tonnes of LNG and 838.6 million m^3 of natural gas in gaseous state (equivalent to approximately 0.6 million tonnes of LNG), which altogether is equivalent to 1.0 million tonnes of LNG. The Dushan Port Project was listed as one of the major projects in Jiaxing under "The Major Service Projects of Zhejiang Service Industry in 2019" (2019年浙江省服務業重大項目計劃) issued by Zhejiang Provincial Development and Reform Commission.

The following diagram shows an illustrative concept of the LNG storage and transportation station of the Dushan Port Project upon completion:

Dushan Port is located at the southeast coastal area of Pinghu of Jiaxing, within the core district of the Yangtze River Delta. It is adjacent to Shanghai and the south of Hangzhou Bay. According to F&S Report, Dushan Port actively participates in the overall integration of Yangtze River Delta, and is expected to fully integrate into the world-class port group of Yangtze River Delta. Its geographical location enables Dushan Port to accommodate large scale logistics port trading activities through both sea and river transport, which in turn supports large amount of international and domestic natural gas trading activities. The Ministry of Transport of the PRC announced that Dushan Port is officially open to international navigation ships at the end of 2016, making this port officially open to the international shipping industry. This provides Dushan Port tremendous opportunities and potentials for engaging in natural gas import and international natural gas shipping industries. Further, Dushan Port Economic Zone is a developing port-based industrial area with new energy, new materials and equipment manufacturers as well as third-party logistics and container service providers. The development of Dushan Port Economic Zone will prompt the growth of natural gas industry in Dushan Port.

The following map shows the location of Dushan Port and the locations of target customers of the Dushan Port Project:



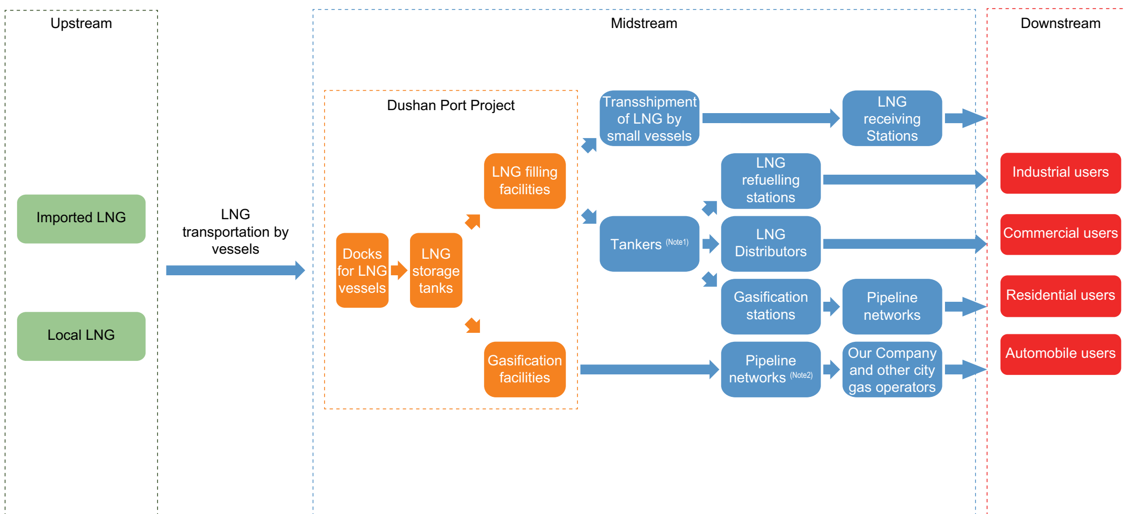
We believe, given the competencies, expertise and industry knowledge we have accumulated in the gas industry for more than 20 years, our investment in the Dushan Port Project represents a natural horizontal extension of our current business exposure, from city gas distribution to LNG import, processing, filling, storage and sale. Our collaboration with Hangzhou Gas and other natural gas operators in the region (as detailed below) will also enrich our market intelligence and provide us with new opportunities in this growing clean energy sector.

To further achieve integration and development of the Yangtze River Delta, Hangjiaxin entered into several strategic cooperation agreements with several natural gas operators in Shanghai, Suzhou and Hangzhou, pursuant to which the parties agreed to (i) cooperate in technical development in respect of LNG storage and transportation facilities construction and management; (ii) consolidate the respective strengths and resources of the parties in LNG trading and transportation; (iii) jointly promote the development of LNG distribution channel in Hangzhou Bay; and (iv) allow Hangjiaxin to connect to their pipelines and supply natural gas to them in Shanghai, Suzhou and Hangzhou. One of the parties also indicated its intention to purchase up to 300 million m^3 of natural gas per annum from Hangjiaxin after commencement of the commercial operation of the Dushan Port Project. Our Directors believe that, leveraging on these strategic cooperations, Hangjiaxin will be able to attract more natural gas operators along the Hangzhou Bay to join force and continue to promote the growth and development of natural gas industry in the Yangtze River Delta.

PROPOSED BUSINESS MODEL OF THE DUSHAN PORT PROJECT

It is currently estimated that Hangjiaxin will complete the construction of the facilities for the Dushan Port Project by the second quarter of 2021, and Dushan Port Project is therefore expected to commence commercial operations in the second quarter of 2021. Hangjiaxin is set to offer the following: (i) sales of natural gas; (ii) provision of LNG gasification services; (iii) provision of LNG filling services; and (iv) provision of LNG storage services for emergency gas peak adjustment purpose.

The following diagram shows the illustrative flow of sales of natural gas under the Dushan Port Project:



Note:

(1) including tankers operated by us

(2) including pipeline networks operated by us

Sales of natural gas

Hangjiaxin intends to sell natural gas, through setting up a trading company majority-controlled by it, principally to large scale industrial users, other city gas operators and LNG distributors/retailers. As advised by our PRC Legal Advisers, Hangjiaxin is not required to obtain any concession in respect of the sales of LNG to customers in Jiaxing or its neighbouring cities. As such, Hangjiaxin currently intends to sell LNG beyond Jiaxing to customers in neighbouring cities such as Shanghai, Suzhou and Hangzhou. Given the less restrictive regulatory regime, Hangjiaxin will enjoy a greater pricing flexibility in both the purchase and selling price of natural gas. At the initial stage, Hangjiaxin intends to connect to PNG pipelines operated by large scale gas operators including our Company, Hangzhou Gas and others in Shanghai and Suzhou, and sell LNG through further processing such as gasification before putting the natural gas into their respective PNG pipeline networks. Hangjiaxin also intends to sell LNG by filling LNG vessels or tankers for further transhipment on distribution. If any such future sales of natural gas would constitute a connected transaction after Listing, we will comply with the relevant requirements under the Listing Rules.

To substantiate the natural gas sales under the Dushan Port Project, in addition to sourcing LNG locally, Hangjiaxin also intends to source LNG from overseas suppliers in countries nearby such as Malaysia, Japan and Korea via international shipping leveraging its coastal location. In order to have a better control on the LNG procurement costs, Hangjiaxin intends to consolidate the LNG purchases with other natural gas companies, through strategic cooperation, to obtain more favourable terms and bulk purchase discounts from the LNG suppliers. In selling natural gas under the Dushan Port Project, the two LNG fully contained storage tanks, leveraging their large storage capacity and coastal location, play an important role in storing the LNG procured at a convenient location, rather than transporting them all to other inland LNG storage tanks including those in our existing LNG storage stations, before processing and selling them to neighbouring cities via vessels. Apart from supporting Hangjiaxin's LNG sales business, the LNG sourced from overseas suppliers under the Dushan Port Project can also be an alternative source of natural gas for our Group's sales of PNG in the event of shortage or during peak seasons.

LNG gasification services

Gasification refers to the process of converting LNG into gaseous form by heat through gasification facilities, before the natural gas can be put into pipeline network. Leveraging on our experience in gasification of LNG we purchased from other suppliers to supplement our PNG supply during peak seasons, Hangjiaxin intends to offer gasification services in return for processing fees calculated based on the volume of natural gas processed, as an ancillary service typically required when it delivers natural gas to its customers through pipelines, or as a standalone service.

LNG filling services

Hangjiaxin also intends to offer LNG filling services under which it arranges filling of LNG into LNG trucks and vessels through our gas filling facilities in return for a service fee calculated based on the volume of natural gas filled, as an ancillary service typically required when the LNG is to be transported by tankers and vessels, or as a standalone service.

LNG emergency storage services

According to the Advice, city gas enterprises are encouraged to form a natural gas storage capacity of no less than 5% of their respective annual consumption volume of natural gas by 2020, which can be done through establishing natural gas reserve facilities or leasing of natural gas storage capacity. Since our LNG storage station in Nanhu has only a storage capacity of 900 m^3 of LNG (equivalent to approximately 0.5 million m^3 of natural gas in gaseous state), and our LNG storage station in Jiaxing Port Area has only a storage capacity of 300m^3 of LNG (equivalent to approximately 0.2 million m^3 of natural gas in gaseous state) which the aggregate storage capacity is still far from the natural gas storage capacity target under the Opinions, by establishing two fully contained LNG storage tanks with a total LNG storage capacity of 200,000 m^3 (equivalent to approximately 120 million m^3 of natural gas in gaseous state) on top of our existing LNG storage capacity, not only can Hangjiaxin maintain a natural gas emergency reserve for itself and our Company, it can also offer LNG emergency storage services to other natural gas operators and/or the people's government at county level.

Legal and compliance

As advised by our PRC Legal Advisers, Hangjiaxin is not required to obtain any concession in respect of the operation of the Dushan Port Project. During the Track Record Period and as at the Latest Practicable Date, Hangjiaxin had obtained and maintained all material permits, licences and approvals from the relevant PRC authorities for the construction of the Dushan Port Project at this stage. As confirmed by our Directors, as the Dushan Port Project progresses, Hangjiaxin will apply for further permits, licences and approvals necessary for the construction and operation of the Dushan Port Project in accordance with the relevant laws regulations. Information on the material licences and permits necessary to the operation of the Dushan Port Project is set out in the paragraph headed "Regulatory Overview – Laws and regulations concerning the construction and operation of the Dushan Port Project" in this prospectus.

MARKETING STRATEGIES

Leveraging the coastal location of Dushan Port and the strategic cooperation agreements with several natural gas operators in Shanghai, Suzhou and Hangzhou, Hangjiaxin intends to focus its marketing on large scale LNG users, natural gas operators and filling stations along the Hangzhou Bay and Yangtze River Delta.

KEY OPERATIONAL FACILITIES AND EXPECTED TIMETABLE

The following table sets forth the details of the key operational facilities and expected timetable of the Dushan Port Project:

Facilities	Details	Date or expected date of commencement of construction	Date or expected date of completion
Fully contained LNG storage tanks	Two fully contained LNG storage tanks with a total of 200,000 m^3 LNG storage capacity (equivalent to approximately 120 million m^3 of natural gas in gaseous state) for storing LNG procured before processing and selling them, and for natural gas emergency reserve, as compared to our existing LNG storage stations with an aggregate LNG storage capacity of 1,200 m^3 (equivalent to approximately 0.7 million m^3 of natural gas in gaseous state), with stored LNG in aggregate of 672.6 m^3 (equivalent to approximately 0.4 million m^3 of natural gas in gaseous state) as at the Latest Practicable Date	June 2018	Third quarter of 2020
Docks for LNG vessels	Docks to accommodate up to (i) one vessel with 80,000 m^3 LNG container; (ii) one LNG vessel with gross tonnage of 5,000; and (iii) one working vessel	December 2019	Second quarter of 2021
Gasification facilities	Facilities for converting LNG into gaseous form to be delivered through pipelines	October 2019	Third quarter of 2020
LNG filling facilities	Facilities for:		
	(i) filling LNG into tankers for further transportation on road; and	October 2019	Third quarter of 2020
	(ii) filling LNG into vessels for further transshipment on sea	December 2019	Second quarter of 2021

We expect the production capacity of the Dushan Port Project will reach 80%, 90% and 100% in the first, second and third year onwards of its commercial operation, respectively.

EXPECTED CAPITAL EXPENDITURE AND SOURCES OF FUNDING

The table below sets out the expected capital expenditure for the Dushan Port Project and sources of funding by Hangjiaxin:

Capital expenditure	Expected total amount of expenditure *(RMB'000)*	Amount of expenditure incurred as at 31 December 2019 *(RMB'000)*	Expected amount of expenditure to be incurred for the year ending 31 December 2020 *(RMB'000)*	Expected amount of expenditure to be incurred for the six months ending 30 June 2021 *(RMB'000)*	Expected amount of expenditure to be incurred after 30 June 2021 *(RMB'000)*	Sources of funding
Construction and labour cost	1,711,394	409,355	666,300	75,000	560,739	80% or RMB224.3 million of the net proceeds from the Global Offering will be used used to fund the capital expenditure, of which RMB204.6 million will be injected by us as Hangjiaxin's paid-up capital and the remainder will be provided to Hangjiaxin by way of shareholder's loan. Other than the funding from the net proceeds, the remaining capital expenditure of Hangjiaxin will be financed by its internal resources and/or bank financing and/or capital contribution by Hangzhou Gas as appropriate
Land	155,256	155,256	–	–	–	internal resources
Right of use of sea area for a term of 32 years	18,500	18,500	–	–	–	internal resources

As at 31 December 2019, Hangjiaxin had a total unutilised banking facilities amounted to approximately RMB873.1 million.

INVESTMENT PAYBACK PERIOD AND BREAKEVEN PERIOD

Based on the estimated schedule to reach full production capacity (80% in the first year, 90% in the second year, 100% from the third year onwards) and the estimated annual transaction volume of 1.0 million tonnes of LNG, the breakeven period*(Note 1)* of the Dushan Port Project is expected to be within one year and the investment payback period*(Note 2)* is expected to be around 5.5 years.

Notes:

1. Breakeven period refers to the period of time required for the Dushan Port Project to generate sales equal to its directly attributable operating cost.

2. Investment payback period refers to the period of time required for accumulated earnings before tax of the Dushan Port Project to recover its initial capital expenditure.

OVERVIEW

Upon the Listing, the transactions set forth below will constitute continuing connected transactions (as defined in the Listing Rules) of our Company (collectively, the "**Continuing Connected Transactions**"):

	Name of connected person	Relationship with our Company	Nature of transaction	Term	Waiver sought
EXEMPT CONTINUING CONNECTED TRANSACTIONS					
1.	Various associates of Taiding and City Development	By virtue of being associates of each of Taiding and City Development, our Substantial Shareholders	Supply of PNG by our Group	Up to 31 December 2032	Not applicable
2.	Ecological Farm	By virtue of being an associate of each of Taiding, our Substantial Shareholder, and Mr. Sun, our executive Director	Sales of LPG by our Group	Not applicable	Not applicable
3.	Qingyuan Hotel	By virtue of being an associate of each of Taiding, our Substantial Shareholder, and Mr. Sun, our executive Director	Provision of staff catering services, conference facilities and accommodation to our Group	Not applicable	Not applicable
4.	Jiaxing Nanhu Hetai Finance Company Limited* (嘉興市南湖禾泰小額貸款有限公司) ("**Nanhu Hetai**")	By virtue of being an associate of Mr. Sun, our executive Director	Lease of property by our Group	From 1 January 2017 to 31 December 2019 and from 1 January 2020 to 31 December 2022	Not applicable
5.	Jiaxing Pipeline Company	By virtue of being an associate of City Development, our Substantial Shareholder	Lease of property by our Group	From 1 January 2010 to 31 December 2028	Not applicable
CONTINUING CONNECTED TRANSACTIONS WHICH ARE SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT					
6.	Qingyuan Hotel	By virtue of being an associate of each of Taiding, our Substantial Shareholder, and Mr. Sun, our executive Director	Lease of property by our Group	From 1 July 2016 to 31 December 2030	Applied for waiver from strict compliance with announcement requirement and the requirement of limiting the terms of agreements to three years or less

Name of connected person	Relationship with our Company	Nature of transaction	Term	Waiver sought
7. Jiaxing Pipeline Company	By virtue of being an associate of City Development, our Substantial Shareholder	Lease of LNG station and equipment to our Group	From 1 January 2012 to 31 December 2028	Applied for waiver from strict compliance with announcement requirement and the requirement of limiting the terms of agreements to three years or less
8. (a) Zhejiang Jinyu Fengye Pipeline Company Limited (浙江錦宇楓葉管業有限公司) ("**Jinyu Fengye**")	By virtue of being an associate of Mr. Fu Songquan (傅松權), our non-executive Director	Supply of construction materials to our Group	From 1 January 2019 to 29 February 2020, from 1 March 2020 to 31 December 2021 and from 1 January 2022 to 31 December 2022	Applied for waiver from strict compliance with announcement requirement
(b) Zhuji Jinfeng Pipeline Company Limited* (諸暨錦楓管業有限公司) ("**Zhuji Jinfeng**")				
NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS				
9. Jiaxing Pipeline Company	By virtue of being an associate of City Development, our Substantial Shareholder	Supply of PNG to our Group	From 16 June 2016 to 31 December 2025	Applied for waiver from strict compliance with announcement and independent Shareholders' approval requirements and the requirement of limiting the term of agreement to three years or less

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Supply of PNG by our Group

Major terms of the transactions:

As we have been granted the exclusive right to sell and distribute PNG in our Operating Area pursuant to Concessions for an initial term of 25 years from 1 January 2008 to 31 December 2032 for Jiaxing Urban Operating Area and 25 years from 1 May 2008 to 30 April 2033 for Jiaxing Port Operating Area, we have been selling our PNG on a retail basis in our ordinary and usual course of business to industrial, commercial and residential users in our Operating Area, including certain associates of Taiding and City Development which were located in our Operating Area, for their own consumption.

We have entered into PNG supply agreements ("**PNG Supply Agreements**") with some of the associates of Taiding and City Development for our supply of the PNG to them for a period up to 31 December 2032. Similar to that for our other Independent Third Party users of PNG, the selling price we charge our users in general for the PNG supplied by us are to be determined by the unit price which is subject to the price cap set by the relevant government authorities and by reference to the metered amount of the PNG consumed by the relevant users. Although the terms of these PNG Supply Agreements are more than three years, our Directors consider that such terms are fair and reasonable on the following basis:

(i) we generally enter into agreements with our non-residential customers in relation to our supply of PNG to them. These agreements are typically for a term up to 31 December 2032. The terms of the PNG Supply Agreements were made up to 2032 with the intention to match with the expiry date of the initial term of our exclusive right to sell and distribute PNG in our Operating Area pursuant to Concessions. As we are the exclusive distributor of PNG in our Operating Area, our customers can secure a stable supply of PNG from us under the long term PNG Supply Agreements. Our Directors are of the view that it is within market practice to enter into long term PNG Supply Agreements with non-residential users; and

(ii) the transactions contemplated under the PNG Supply Agreements are on normal commercial terms that are comparable to or no more favorable to those connected persons than those provided to Independent Third Party users.

Reasons for the transactions:

As we are the exclusive PNG supplier in our Operating Area and these associates of Taiding and City Development are located and operating in our Operating Area, we expect that we will continue to supply PNG to them in our ordinary and usual course of business after Listing.

Listing Rules implications:

As Taiding and City Development are our Substantial Shareholders, their respective associates are connected persons of our Company under the Listing Rules pursuant to Rule 14A.13(1) of the Listing Rules.

As our PNG are consumer goods that are supplied to these connected persons for their own consumption, and our supply of PNG to them are conducted in our ordinary and usual course of business and on normal commercial terms that are comparable to or no more favorable to these connected persons than those provided to Independent Third Party users, pursuant to Rule 14A.97 of the Listing Rules, these continuing connected transactions, namely selling of PNG to these connected persons in our Operating Area, will be fully exempt from reporting, annual review, disclosure and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Sale of LPG by our Group

Major terms of the transactions:

During the Track Record Period, we have been supplying bottled LPG to residential, commercial and industrial users on retail basis, especially for users which may not have access to the PNG pipeline networks we operate, in our ordinary and usual course of business. Ecological Farm, being an associate of Taiding and operated in Jiaxing, has been buying bottled LPG from us from time to time for its own consumption. Similar to our other retail LPG customers, no long term sale contract has been entered into between our Group and Ecological Farm for our supply of bottled LPG, and sales were made by us on order-by-order basis based on the then market price, on normal commercial terms that are comparable to or no more favourable to Ecological Farm than those provided to Independent Third Party users.

Reasons for the transactions:

As Ecological Farm is located and operating in such part of Jiaxing that is not covered by the PNG pipeline networks we operate, we expect that we will continue to supply LPG to Ecological Farm in our ordinary and usual course of business after Listing.

Listing Rules implications:

As at the Latest Practicable Date, each of (i) Jiaxing Qingyang Trading Company Limited* (嘉興市清陽貿易有限公司), a company owned as to 74% by Mr. Sun, our executive Director; and (ii) Taiding, our Substantial Shareholder, owned more than 30% equity interest in Qingyuan Tourism. Ecological Farm was a direct non-wholly owned subsidiary of Qingyuan Tourism. As such, Ecological Farm is regarded as an associate of Mr. Sun and Taiding, and hence a connected person of our Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

Since the expected annual transaction amount for the supply of LPG by Jiaran Liquefied Gas to Ecological Farm is less than HK$3 million and the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) is less than 5% for each of the three years ending 31 December 2021, the sales of LPG to Ecological Farm constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, reporting, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

As our LPG are consumer goods that are supplied to Ecological Farm for its own consumption, and our supply of LPG to Ecological Farm is conducted in our ordinary and usual course of business and on normal commercial terms that are comparable to or no more favorable to Ecological Farm than those provided to Independent Third Party users, pursuant to Rule 14A.97 of the Listing Rules, these continuing connected transactions, namely selling of LPG to Ecological Farm, will be fully exempt from reporting, annual review, disclosure and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of staff catering services, conference facilities and accommodation to our Group

Major terms of the transactions:

Qingyuan Hotel has been providing staff catering services, conference facilities and accommodation services (the "**Comprehensive Services**") for our Group's own use from time to time at its corporate package prices, which are on normal commercial terms and no less favourable to our Group than those available to its other Independent Third Party corporate customers.

Reasons for the transactions:

During the Track Record Period, we had procured the catering services of Qingyuan Hotel for offering meals for our employees as part of our staff benefit, and used the conference facilities and accommodation services of Qingyuan Hotel for hosting business meetings and for reception of our business guests and customers. Our Group procures for such services from Qingyuan Hotel to take advantage of the proximity of the relevant facilities of Qingyuan Hotel with our Group's premises, and that the Comprehensive Services are offered to us on normal commercial terms and no less favourable to our Group than those available from Independent Third Party for comparable services. The continued provision of Comprehensive Services by Qingyuan Hotel to our Group after the Listing Date will constitute continuing connected transaction of our Company under the Listing Rules.

Historical amount:

During the Track Record Period, the total Comprehensive Services charges were set out below:

	FY2017 *(RMB million)*	FY2018 *(RMB million)*	FY2019 *(RMB million)*
Total Comprehensive Services charges	1.6	2.0	2.6

Listing Rules implications:

Prior to the transfer of equity interest in October 2016, Qingyuan Hotel was a subsidiary of our Company. As at the Latest Practicable Date, each of (i) Jiaxing Qingyang Trading Company Limited* (嘉興市清陽貿易有限公司), a company owned as to 74% by Mr. Sun, our executive Director; and (ii) Taiding, our Substantial Shareholder, owned more than 30% equity interest in Qingyuan Tourism. Qingyuan Hotel was a direct wholly-owned subsidiary of Qingyuan Tourism. As such, Qingyuan Hotel is regarded as an associate of Mr. Sun and Taiding, and hence a connected person of our Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

Since the expected annual transaction amount for the Comprehensive Services is less than HK$3 million and the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) is less than 5% for each of the three years ending 31 December 2022, the provision of Comprehensive Services by Qingyuan Hotel to our Group constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, reporting, annual review, announcement and all disclosure requirements under Chapter 14A of the Listing Rules.

Lease of property to Nanhu Hetai by our Group

Major terms of the transactions:

On 3 March 2017 and 4 September 2019, we entered into tenancy agreements (the "**Office Tenancy Agreements**") with Nanhu Hetai, pursuant to which we, as lessor, leased to Nanhu Hetai, as lessee, the property as its office. The lease term is for a period of three years from 1 January 2017 to 31 December 2019 and three years from 1 January 2020 to 31 December 2022, respectively. The annual rent under the Office Tenancy Agreements for each of the three years ending 31 December 2019 is RMB115,500 and that for each of the three years ending 31 December 2022 is RMB121,275, which had been determined with reference to the prevailing market rent in the proximity. The independent property valuer has confirmed that, (i) the terms of the Office Tenancy Agreements, including the lease term, are at arm's length, on normal commercial terms and reasonable for contracts of the relevant type, and (ii) the rentals of the Office Tenancy Agreements with a total gross floor area of 350 sq.m. are fair, reasonable and on normal commercial terms and represent the market rent of comparable properties in a similar location prevailing at the commencement of the Office Tenancy Agreements.

Reasons for the transactions:

We are the owner of the commercial property to which the Office Tenancy Agreements relate. During the Track Record Period, the property has been leased by our Group to Nanhu Hetai to earn rental income.

Historical amount:

During the Track Record Period, the total rent incurred by Nanhu Hetai in relation to the office was set out below:

	FY2017	**FY2018**	**FY2019**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total rent in relation to the office	0.1	0.1	0.1

Listing Rules implications:

Prior to the transfer of equity interest in October 2016, Nanhu Hetai was an associate of our Company. As at the Latest Practicable Date, Mr. Sun, our executive Director, indirectly owned over 30% equity interest in Nanhu Hetai. As such, Nanhu Hetai is regarded as an associate of Mr. Sun, and hence a connected person of our Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

Since the expected annual transaction amount for the Office Tenancy Agreements is less than HK$3 million and the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) is less than 5% for each of the three years ending 31 December 2021, the transactions contemplated under the Office Tenancy Agreements constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, reporting, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Lease of property to Jiaxing Pipeline Company by our Group

Major terms of the transactions:

On 1 January 2010, we entered into a tenancy agreement (the "**Land Tenancy Agreement**") with Jiaxing Pipeline Company, pursuant to which we, as lessor, leased to Jiaxing Pipeline Company, as a lessee, the land. The lease term is for a period of 19 years from 1 January 2010 to 31 December 2028. The annual rent under the Land Tenancy Agreement is variable and will be calculated by the fixed land cost, fixed maintenance fee, fixed investment return and variable finance expenses (determined by reference to the then prevailing borrowing interest rate) attributable to the land leased to Jiaxing Pipeline Company. The independent property valuer has confirmed that, (i) the terms of the Land Tenancy Agreement, including the lease term, are at arm's length, on normal commercial terms and reasonable for contracts of the relevant type, and (ii) the rentals of the Land Tenancy Agreement with a leased land area of 7,244.3 sq.m. are fair, reasonable and on normal commercial terms and represent the market rents of comparable properties in a similar location prevailing at the commencement of the Land Tenancy Agreement

Reasons for the transactions:

We are the owner of a land to which the Land Tenancy Agreement relates. During the Track Record Period, the relevant land has been leased by our Group to Jiaxing Pipeline Company to earn rental income.

Our Directors' view:

Although the term of the Land Tenancy Agreement is more than three years, our Directors consider that such term is fair and reasonable and is within normal business practice. Under a shorter lease term, the landlord would need to re-negotiate new lease(s) and may not be able to locate another new tenant to occupy the land which is considered to be disadvantageous to the landlord, while a long term lease can guarantee a stable stream of income.

Historical amount:

During the Track Record Period, the total rent incurred by Jiaxing Pipeline Company in relation to the land was set out below:

	FY2017	**FY2018**	**FY2019**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total rent in relation to the land	0.14	0.14	0.14

Listing Rules implications:

As at the Latest Practicable Date, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, our Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of our Company pursuant to Rule 14A.13(1) of the Listing Rules.

Since the expected annual transaction amount for the Land Tenancy Agreement is less than HK$3 million and the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) is less than 5% for each of the ten years ending 31 December 2028, the transactions contemplated under the Land Tenancy Agreement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, reporting, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Lease of property to Qingyuan Hotel by our Group

Major terms of the transactions:

On 1 July 2016, we entered into a tenancy agreement (the "**Hotel Property Tenancy Agreement**") with Qingyuan Hotel, pursuant to which we, as lessor, leased to Qingyuan Hotel, as lessee, the commercial property to operate as a hotel. The lease term is for a period from 1 July 2016 to 31 December 2030. The rental rate under the Hotel Property Tenancy Agreement is about RMB18 per square metre per month with 5% increment for every three years which was determined after arm's length negotiation and with reference to the prevailing market rent in the proximity. The independent property valuer has confirmed that, (i) the terms of the Hotel Property Tenancy Agreement, including the lease term, are at arm's length, on normal commercial terms and reasonable for contracts of the relevant type, and (ii) the rentals of the Hotel Property Tenancy Agreement with a total land area of 25,798.46 sq.m. are fair, reasonable and on normal commercial terms and represent the market rents of comparable properties in a similar location prevailing at the commencement of the Hotel Property Tenancy Agreement.

Reasons for the transactions:

We are the owner of a commercial property in Jiaxing with a total gross floor area of 25,798.46 sq.m.. During the Track Record Period, the relevant commercial property has been leased by our Group to Qingyuan Hotel for hotel operation.

Historical amount:

During the Track Record Period, the total rent paid by Qingyuan Hotel in relation to the commercial property was set out below:

	FY2017 *(RMB million)*	**FY2018** *(RMB million)*	**FY2019** *(RMB million)*
Total rent in relation to the property	5.3	5.3	5.4

Annual caps and basis of determination:

Our Directors estimate that the annual rent to be received from Qingyuan Hotel for each of the 11 years ending 31 December 2030 will be as follows:

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Annual rent	5.6	5.6	5.8	5.9	5.9	6.0	6.2	6.2	6.3	6.5	6.5

In determining the above annual caps, our Directors have considered generally:

(a) the historical rental amount as set out above; and

(b) the terms (including rental rate) of Hotel Property Tenancy Agreement.

Our Directors' view:

Our Directors (including our independent non-executive Directors), after considering the valuation report on the hotel property and reviewing the terms of the Hotel Property Tenancy Agreement, are of the view that the Hotel Property Tenancy Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of our Group and that the terms of the Hotel Property Tenancy Agreement as well as the proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

Although the term of the Hotel Property Tenancy Agreement is more than three years, our Directors consider that such term is fair and reasonable, is in the interest of our Company, and is within normal business practice on the following bases:

(i) as advised by Frost & Sullivan, it is common that the terms of the lease agreement between hotel operators and their landlords are more than three years;

(ii) due to the nature of hotel operation, hotel tenant usually incurs significant initial investment and costs including refurnishing the hotel to meet its own operating model, setting up the information technology systems and reservation platform, staff training and outlay for the marketing and branding of the hotel which may take several years to establish and to achieve the desired results;

(iii) a long term lease can avoid business uncertainties and allow time to build up customer loyalty and reputation of the hotel and thus provides confidence and assurance to the tenant for its efforts in establishing a reputable brand of the hotel, which is mutually beneficial to the landlord and the tenant; and

(iv) under a shorter lease term, the landlord would need to re-negotiate new lease(s) and may not be able to locate another new tenant to occupy the hotel and may result in disruptions for the hotel operation and is considered to be disadvantageous to the landlord, while a long term contract can guarantee a stable stream of income.

Listing Rules implications:

Prior to the transfer of equity interest in October 2016, Qingyuan Hotel was a subsidiary of our Company. As at the Latest Practicable Date, each of (i) Jiaxing Qingyang Trading Company Limited* (嘉興市清陽貿易有限公司), a company owned as to 74% by Mr. Sun, our executive Director; and (ii) Taiding, our Substantial Shareholder, owned more than 30% equity interest in Qingyuan Tourism. Qingyuan Hotel was a direct wholly-owned subsidiary of Qingyuan Tourism. As such, Qingyuan Hotel is regarded as an associate of Mr. Sun and Taiding, and hence a connected person of our Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

Since the annual cap for rent in relation to the commercial property exceeds HK$3 million but the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) are expected to be less than 5% for each of the three years ending 31 December 2022 by virtue of Rule 14A.76(2), the transactions contemplated under the Hotel Property Tenancy Agreement will be subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Lease of LNG station and equipment by Jiaxing Pipeline Company to our Group

Major terms of the transactions:

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

Reasons for the transactions:

Jiaxing Pipeline Company owned a LNG station in Nanhu District of Jiaxing. By entering into the rental arrangement, we are able to secure continual and long term use of the LNG station in Nanhu for our LNG sale.

Historical amount:

During the Track Record Period, the total rent was set out below:

	FY2017 *(RMB million)*	**FY2018** *(RMB million)*	**FY2019** *(RMB million)*
Total rent	3.1	3.1	3.1

Annual caps and basis of determination:

Our Directors estimate that the annual rent to be incurred by the Company in relation to the LNG station for the nine years ending 31 December 2028 will be RMB3.2 million each year.

In determining the above annual caps, our Directors have considered generally:

(a) the historical rent as set out above; and

(b) the prevailing market price for variation factors under the LNG Station Tenancy Agreement.

Our Directors' view:

Our Directors (including our independent non-executive Directors), after reviewing the terms of the LNG Station Tenancy Agreement, are of the view that the LNG Station Tenancy Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of our Group and that the terms of the LNG Station Tenancy Agreement as well as the proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

Although the term of the LNG Station Tenancy Agreement is more than three years, our Directors consider that such term is fair and reasonable and in the interest of the Company on the following basis:

(i) special equipment and facilities were required to be installed at the site for operation as an LNG station, which may not be readily available at other location;

(ii) LNG stations could only be set at places designated by the local government, as such, there are limited choices which our Group may lease at Nanhu. A longer lease term can avoid disruptions in the operation of our LNG station; and

(iii) under a shorter lease term, our Group would need to re-negotiate new lease(s) and may not be able to locate another suitable site to operate the LNG station and may result in disruptions for our operation.

Listing Rules implications:

As at the Latest Practicable Date, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, our Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of our Company pursuant to Rule 14A.13(1)(a) of the Listing Rules.

Since the annual cap for the rent under the LNG Station Tenancy Agreement exceeds HK$3 million but the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) are expected to be less than 5% for each of the nine years ending 31 December 2028, the transactions contemplated under the LNG Station Tenancy Agreement will be subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Supply of construction materials to our Group

Major terms of the transactions:

On 1 January 2019, 29 February 2020 and 9 March 2020, we entered into construction materials supply agreements (the "**Construction Materials Supply Agreements**") with Zhuji Jinfeng, pursuant to which Zhuji Jinfeng, as supplier, agreed to supply construction materials to our Group. The term of the Construction Materials Supply Agreements are for a period from 1 January 2019 to 29 February 2020, from 1 March 2020 to 31 December 2021 and from 1 January 2022 to 31 December 2022, respectively.

Reasons for the transactions:

Each of (1) Zhuji Jinfeng, a 30%-controlled company held by Ms. Fu Qiufeng (傅秋鳳), the spouse of Mr. Fu Songquan (傅松權), and (2) Jinyu Fengye, a 30%-controlled company held by Mr. Fu Songquan, principally engaged in the supply of pipeline construction materials. During the Track Record Period, we purchased pipeline construction materials from Jinyu Fengye and Zhuji Jinfeng for our pipeline construction and connection operation. Going forward, for the ease of logistics, we will purchase pipeline construction materials solely from Zhuji Jinfeng instead.

Historical amount:

During the Track Record Period, the total purchase amount paid by our Group to Jinyu Fengye and Zhuji Jinfeng for construction materials was set out below:

	FY2017	**FY2018**	**FY2019**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total purchase amount	3.6	4.8	6.0

Annual caps and basis of determination:

Our Directors estimate that the annual purchase price to be paid by our Group under the Construction Materials Supply Agreements for each of the three years ending 31 December 2022 will be as follows:

	FY2020	**FY2021**	**FY2022**
	(RMB million)	*(RMB million)*	*(RMB million)*
Annual purchase price	6.2	6.5	7.3

In determining the above annual caps, our Directors have considered generally:

(a) the historical transaction amount as set out above;

(b) the expected growth in demand of pipeline construction materials by our Group;

(c) the range of historical market prices of pipeline construction materials during the Track Record Period and the anticipated market prices of pipeline construction materials; and

(d) the inflation rate of the PRC during the Track Record Period and the expected inflation rate for the three years ending 31 December 2022.

Our Directors' view:

Our Directors (including our independent non-executive Directors), after reviewing the terms of the Construction Materials Supply Agreements, are of the view that the Construction Materials Supply Agreements and the transactions contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of our Group and that the terms of the Construction Materials Supply Agreements as well as the proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

Listing Rules implications:

As at the Latest Practicable Date, Zhuji Jinfeng was owned as to 70.47% by Zhuji Jinhua Pipeline Company Limited* (諸暨錦樺管業有限公司) and 29.53% by Jinyu Fengye. Ms. Fu Qiufeng (傅秋鳳), the spouse of Mr. Fu Songquan (傅松權), our non-executive Director, owned 50% equity interest in Zhuji Jinhua Pipeline Company Limited. As such, Zhuji Jinfeng is an associate of Mr. Fu Songquan and hence a connected person of our Company pursuant to Rule 14A. 12(1) of the Listing Rules.

Since the annual cap for the total purchase amount of construction materials exceeds HK$3 million but the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) are expected to be less than 5% for each of the three years ending 31 December 2022, the transactions contemplated under the Construction Materials Supply Agreements will be subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Supply of PNG by Jiaxing Pipeline Company to our Group

Major terms of the transactions:

On 16 June 2016, we entered into the Master Supply Agreements with Jiaxing Pipeline Company, pursuant to which we shall purchase from Jiaxing Pipeline Company, and Jiaxing Pipeline Company shall sell to us, PNG in Jiaxing. Prior to signing of the Master Supply Agreement, we did not enter into any master supply agreement for a term longer than one year. The term of the Master Supply Agreements is up to 31 December 2025. Pursuant to the Master Supply Agreements, our purchase price is determined in accordance with the price set by the Jiaxing Municipal People's Government. Please refer to the paragraph headed "Business – Our Source of PNG Supply – Master supply agreement with Jiaxing Pipeline Company" in this prospectus for the major terms of the Master Supply Agreements.

Reasons for the transactions:

During the Track Record Period and up to the Latest Practicable Date, Jiaxing Pipeline Company has been primarily engaged in the supply of PNG and investment and construction of pipeline in Jiaxing.

Due to the highly regulated nature of the natural gas supply industry in the PRC and our long established business relationship with our existing supplier, during the Track Record Period and as at the Latest Practicable Date, Jiaxing Pipeline Company was our sole direct PNG supplier for our PNG supply business.

Historical amount:

During the Track Record Period, the total PNG charges under the Master Supply Agreements were set out below:

	FY2017 *(RMB million)*	**FY2018** *(RMB million)*	**FY2019** *(RMB million)*
Total PNG charges	543.6	832.1	887.0

Annual caps and basis of determination:

Our Directors estimate that the PNG charges under the Master Supply Agreements for the six years ending 31 December 2025 will be as follows:

	FY2020 *(RMB million)*	**FY2021** *(RMB million)*	**FY2022** *(RMB million)*	**FY2023** *(RMB million)*	**FY2024** *(RMB million)*	**FY2025** *(RMB million)*
Annual caps for PNG charges	905.4	915.3	961.0	1,009.1	1,095.5	1,112.5

In determining the above annual caps, our Directors have considered generally:

(a) the historical sales volume and transaction amount as set out above;

(b) the expected growth in demand of PNG by the industrial, commercial and residential users; and

(c) the range of historical market prices and government regulated price of PNG during the Track Record Period and the anticipated market prices and government regulated price of PNG.

Our Directors' view:

Our Directors (including our independent non-executive Directors), after reviewing the terms of the Master Supply Agreements, are of the view that the Master Supply Agreements and the transactions contemplated thereunder have been entered into on normal commercial terms or better (having such meaning as defined in the Listing Rules), in the ordinary and usual course of business of our Group and that the terms of the Master Supply Agreements as well as the proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders taken as a whole.

Although the terms of the Master Supply Agreements are more than three years, our Directors consider that such terms are fair and reasonable and in the interest of our Company on the following bases:

(i) the natural gas supply industry in the PRC is highly regulated. Jiaxing Pipeline Company has been our sole direct supplier of PNG which, to the best knowledge of our Directors, is the only upstream supplier of PNG in Jiaxing and our pipeline network is connected to the pipeline network of Jiaxing Pipeline Company;

(ii) we are granted the exclusive right to sell and distribute PNG in our Operating Area pursuant to Concessions for an initial term of 25 years from 1 January 2008 to 31 December 2032 for Jiaxing Urban Operating Area and 25 years from 1 May 2008 to 30 April 2033 for Jiaxing Port Operating Area. A longer gas supply agreement is in line with the duration of our Concession;

(iii) the price at which we purchase PNG from Jiaxing Pipeline Company is determined in accordance with the price set by the Jiaxing Municipal People's Government; and

(iv) a longer term could ensure a stable supply of PNG to our Group, which in turn secure our supply of PNG to our end-users.

Listing Rules implications:

As at the Latest Practicable Date, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, our Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of our Company pursuant to Rule 14A.13(1) of the Listing Rules. The continued supply of natural gas by Jiaxing Pipeline Company to our Group after the Listing Date will constitute continuing connected transaction of our Company under the Listing Rules.

Since the annual cap for the PNG charges under the Master Supply Agreements exceeds HK$10 million and the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) also exceeds 5% for each of the six years ending 31 December 2025, the transactions contemplated under the Master Supply Agreements are subject to the annual reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER FROM THE ANNOUNCEMENT REQUIREMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

We expect the (i) non-exempt continuing connected transactions; and (ii) continuing connected transactions which are exempt from the independent shareholders' approval requirement as disclosed above were entered into prior to the Listing Date and have been disclosed in this prospectus and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that strict compliance with the announcement and/or independent shareholders' approval requirements (as applicable) under the Listing Rules in respect thereof immediately after the Listing would be unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from (i) strict compliance with the announcement and/or independent Shareholders' approval requirements (as applicable) in respect of these continuing connected transactions and (ii) fixing the terms of the Hotel Property Tenancy Agreement, LNG Station Tenancy Agreement and Master Supply Agreements to three years or less. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these continuing connected transactions. Our Directors confirm that, for all non-exempt continuing connected transactions to be entered into by our Group (if any), our Company will comply with the applicable Listing Rules, unless a separate application for waiver is made for the dispensation with the applicable announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Joint Sponsors are of the view that the transactions contemplated under each of the abovementioned non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms, and that the respective terms, including the duration, of these non-exempt continuing connected transactions and the respective annual caps set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Each of the Hotel Property Tenancy Agreement, LNG Station Tenancy Agreement and Master Supply Agreements requires a period exceeding three years as stipulated in Rule 14A.52 of the Listing Rules. Based on the reasons mentioned in the sub-sections headed "Lease of property to Qingyuan Hotel by our Group – Our Director's view", "Lease of LNG station and equipment by Jiaxing Pipeline Company to our Group – Our Director's view" and "Supply of PNG by Jiaxing Pipeline Company to our Group – Our Directors' view" in this section, the Joint Sponsors are of the view that it is a normal business practice for agreements similar to the Hotel Property Tenancy Agreement, LNG Station Tenancy Agreement and Master Supply Agreements with a period exceeding three years.

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. As at the date of this prospectus, our Board consists of eight Directors, including two executive Directors, three non-executive Directors and three INEDs. The information of the current members of our Board is set out as follows:

Name	Age	Current position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Executive Directors					
Mr. Sun Lianqing (孫連清)	60	Executive Director, chairman of our Board and chief executive officer of our Company, the vice-chairman of the board and general manager of Hangjiaxin, a director of Gangqu Gas and a director and general manager of Hangjia Liquefied Gas	15 March 1998	15 March 1998	Overall business strategies and business operation of our Group, being the chairman of the nomination committee of the Company
Mr. Xu Songqiang (徐松強)	52	Executive Director, standing deputy general manager of our Company, supervisor of Gangqu Gas, the chairman of the board of Jiaran Liquefied Gas, a director and a manager of Jiaran New Energy, a director of Hangjiaxin and a director of Hangjia Liquefied Gas	15 March 1998	15 March 1998	Overall management of the the production safety of our Group and the overall day-to-day management of the business operation of Hangjiaxin

Name	Age	Current position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Non-executive Directors					
Mr. He Yujian (何宇健)	49	Non-executive Director	10 March 2019	10 March 2019	Supervision of the management of our Group, being a member of the remuneration committee of the Company
Mr. Zheng Huanli (鄭歡利)	51	Non-executive Director	23 September 2019	23 September 2019	Supervision of the management of our Group
Mr. Fu Songquan (傅松權)	73	Non-executive Director	23 September 2019	23 September 2019	Supervision of the management of our Group
Independent non-executive Directors					
Mr. Xu Linde (徐林德)	57	Independent non-executive Director	10 January 2017	10 January 2017	Overseeing the overall affairs of our Group at Board level, being a member of the audit committee and nomination committee of the Company
Mr. Yu Youda (于友達)	56	Independent non-executive Director	10 January 2017	10 January 2017	Overseeing the overall affairs of our Group at Board level, being the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company
Mr. Cheng Hok Kai Frederick (鄭學啟)	56	Independent non-executive Director	23 September 2019	23 September 2019	Overseeing the overall affairs of our Group at Board level, being the chairman of the audit committee and a member of the remuneration committee of the Company

Executive Directors

Mr. Sun Lianqing (孫連清), aged 60, is an executive Director, the chairman and the chief executive officer of our Company who is responsible for the overall business strategies and operation of our Group. Mr. Sun has been the chairman of the Board and chief executive officer of our Company since the establishment of our Company on 15 March 1998 and he was re-designated as an executive Director on 23 September 2019. Mr. Sun is also the vice-chairman of the board, legal representative and general manager of Hangjiaxin, a director of Gangqu Gas and a director and general manager of Hangjia Liquefied Gas.

Mr. Sun has extensive experience in business administration and management. From August 1980 to June 1992, Mr. Sun was a teacher in various academic institutions in Jiaxing, Zhejiang Province, the PRC and he was responsible for delivering lectures and providing vocational training to students. From July 1992 to December 1997, Mr. Sun successively served as the office manager of Jiaxing Suburban Urban Construction Bureau* (嘉興市郊區城建局), director of Jiaxing Suburban Municipal Public Utilities Office* (嘉興市郊區市政公用事業處) and manager of Jiaxing Suburban LPG Company* (嘉興市郊區液化氣公司) in the PRC. Since the establishment of our Company on 15 March 1998, he has served as the chairman of our Board and the chief executive officer of our Group.

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

Mr. Sun is interested in 65% of the equity interest in Taiding, being one of our promoters and a member of the Concert Parties. As at the Latest Practicable Date, the Concert Parties owned in aggregate approximately 31.72% equity interest in our Company. Details of his interest in Shares are set forth in the section headed "Substantial Shareholders" in this prospectus and the paragraph headed "Further Information about our Directors and Supervisors – 10. Directors – (d) Interests and short positions of our Directors and Supervisors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering" as set out in Appendix VII to this prospectus.

Mr. Sun was a director or a manager of the companies below which were deregistered or had the business licence revoked. The relevant details are as follows:

Name of company	Place of incorporation	Nature of business before deregistration/ revocation of licence	Reason for deregistration/ revocation of licence	Date of deregistration/ revocation of licence	Current position
Jiaxing Gold Sun Green Energy Technology Engineering Co., Ltd.* (嘉興市金太陽綠色能源科技工程有限公司)	The PRC	Development of renewable energy technologies	Annual reports were not published in accordance with the time limit stipulated in the relevant regulations	7 November 2018	Licence revoked; Not yet deregistered and dissolved
Zhejiang Wuchan Huaneng Wutong Clean Energy Co., Ltd.* (浙江物產環能物通清潔能源有限公司)	The PRC	Technical consulting services and development of clean energy	Cessation of business operation	10 October 2017	Deregistered and dissolved
Jiaxing Gas and Refuelling Station Co., Ltd. Zhapu Station* (嘉興市加油加氣站有限公司乍浦站)	The PRC	Sales of compressed natural gas	Cessation of business operation	31 October 2018	Deregistered and dissolved

As confirmed by Mr. Sun, the deregistered companies above were solvent at the time when they were deregistered and so far as he was aware, the deregistration or the revocation of licence of the companies above have not resulted in any liability or obligation being imposed against him.

Mr. Xu Songqiang (徐松強), aged 52, is an executive Director and our standing deputy general manager who is responsible for the overall management of the production safety of our Group. He was re-designated as an executive Director on 23 September 2019. Mr. Xu is also a supervisor of Gangqu Gas, the chairman of the board of Jiaran Liquefied Gas, a director and a manager of Jiaran New Energy, a director of Hangjiaxin and a director of Hangjia Liquefied Gas.

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

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

Mr. Xu is one of our promoters and a member of the Concert Parties. As at the Latest Practicable Date, the Concert Parties owned in aggregate approximately 31.72% equity interest in our Company. Details of his interest in Shares are set forth in the section headed "Substantial Shareholders" in this prospectus and the paragraph headed "Further Information about our Directors and Supervisors – 10. Directors – (d) Interests and short positions of our Directors and Supervisors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering" as set out in Appendix VII to this prospectus.

Mr. Xu was a manager of the company below, which was deregistered. The relevant details are as follows:

Name of company	Place of incorporation	Nature of business before deregistration	Reason for deregistration	Date of deregistration	Current position
Jiaxing Gas Co., Ltd. Installation Branch* (嘉興市燃氣有限公司安裝分公司)	The PRC	Installation of gas pipeline	Cessation of business operation	9 August 2006	Deregistered and dissolved

As confirmed by Mr. Xu, the company above was solvent at the time when it was deregistered and so far as he was aware, the deregistration of the above company has not resulted in any liability or obligation being imposed against him.

Non-executive Directors

Mr. He Yujian (何宇健), aged 49, is a non-executive Director. Mr. He was appointed as a Director on 10 March 2019 and re-designated as a non-executive Director on 23 September 2019.

Mr. He has extensive experience in investment project management. He successively served as the deputy office manager from June 2000 to September 2000 and the office manager from September 2002 to January 2006 of Jiaxing Port and Shipping Administration Bureau* (嘉興市港航管理局). He served as an office manager from January 2006 to January 2019 and a deputy general manager from January 2009 to December 2018 of Jiaxing Transportation Investment Group Co., Ltd* (嘉興市交通投資集團有限責任公司), which was principally engaged in transportation investment in Jiaxing, Zhejiang Province, the PRC. From December 2018 to May 2019, he was a member of the party committee and a deputy general manager of City Development and the deputy director of the management committee of scenic areas of Nanhu District of Jiaxing. Since May 2019, he has been a deputy secretary of the party committee of City Development, responsible for assisting the secretary of the party committee and the chairman in managing the business operation of City Development. Since March 2019, he has also served as the chairman of Jiaxing Pipeline Company.

He has been a senior economist in the PRC since December 2005. He graduated from the Zhejiang University in the PRC with an executive master of business administration in June 2009. He graduated from the Zhejiang Provincial Party School of the Chinese Communist Party* (中共浙江省委黨校) in the PRC with a master's degree in economics in July 2016.

Mr. He was a director and the general manager of the company below, which was deregistered. The relevant details are as follows:

Name of company	Place of incorporation	Nature of business before deregistration	Reason for deregistration	Date of deregistration	Current position
Jiaxing Jiatong New Town Investment Development Co., Ltd.* (嘉興市嘉通新市鎮投資開發有限公司)	The PRC	Investment and development of urban infrastructure facilities; industrial investment and asset management; sales of building materials and hardware	Cessation of business operation	31 October 2017	Deregistered and dissolved

As confirmed by Mr. He, the company above was solvent at the time when it was deregistered and so far as he was aware, the deregistration of the above company has not resulted in any liability or obligation being imposed against him.

Mr. Zheng Huanli (鄭歡利), aged 51, is a non-executive Director. Mr. Zheng was a Director from August 2018 to March 2019. He was re-appointed as a non-executive Director on 23 September 2019.

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

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

Mr. Fu Songquan (傅松權), aged 73, is a non-executive Director. Mr. Fu was appointed as a non-executive Director on 23 September 2019.

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

Mr. Fu was a supervisor or a manager of the companies below, which were deregistered. The relevant details are as follows:

Name of company	Place of incorporation	Nature of business before deregistration	Reason for deregistration	Date of deregistration	Current position
Zhuji Yuli Shipping Apparatus Co., Ltd.* (諸暨市羽立船舶器材有限公司)	The PRC	Wholesale and retail of shipping apparatus	Cessation of business operation	20 October 2015	Deregistered and dissolved
Zhuji Qianyu Machinery Co., Ltd.* (諸暨乾宇機械有限公司)	The PRC	Manufacturing and sales of machinery	Cessation of business operation	9 January 2019	Deregistered and dissolved
Zhuji Leather Machinery Factory* (諸暨市皮革機械廠)	The PRC	Processing and sales of auto parts, hardware accessories, mining machinery parts	Change of company nature (from individually-owned business to individual proprietorship enterprise)	11 May 2016	Deregistered and dissolved
Zhuji New Type Pipe Fitting Research Institute* (諸暨市新型管件研究所)	The PRC	Research and development of new pipe fittings technology and products	Cessation of business operation	25 August 2004	Deregistered and dissolved
Zhuji Fengye Steel & Plastic Pipe Co., Ltd. Fengye Hotel Co., Ltd.* (諸暨市楓葉鋼塑管業有限公司楓葉大酒店)	The PRC	Catering and Accommodation	Cessation of business operation	14 May 2003	Deregistered and dissolved

As confirmed by Mr. Fu, the companies above were solvent at the time when they were deregistered and so far as he was aware, the deregistration of the above companies have not resulted in any liability or obligation being imposed against him.

Independent non-executive Directors

Mr. Xu Linde (徐林德), aged 57, is an independent non-executive Director. Mr. Xu was appointed as an independent non-executive Director on 10 January 2017.

Mr. Xu has extensive experience in engineering project management. From March 1993 to November 2000, he served as the president of Zhejiang Province Chengjian Gas Thermal Power Design Institute* (浙江城建煤氣熱電設計院), which was principally engaged in designing gas thermal power system. Since November 2000, he has served as the president of Zhejiang Province Chengjian Gas Thermal Power Design Institute Co., Ltd* (浙江城建煤氣熱電設計院有限公司), which was principally engaged in designing gas thermal power system.

Mr. Xu has been a professor-grade senior engineer in the PRC since March 2009 and a utilities (heating and ventilation air-conditioning) engineer in the PRC since October 2011. He graduated from Chongqing Institute of Civil Engineering and Architecture* (重慶建築工程學院) with a bachelor's degree in heating and ventilation engineering in July 1985.

Mr. Xu was a director or a manager of the companies below, which were deregistered. The relevant details are as follows:

Name of company	Place of incorporation	Nature of business before deregistration	Reason for deregistration	Date of deregistration	Current position
Zhejiang Gas & Thermoelectricity Design Institute* (浙江城建煤氣熱電設計院)	The PRC	Gas and thermoelectricity engineering	Cessation of business operation	3 November 2003	Deregistered and dissolved
Shanghai Shencheng Energy Technology Co., Ltd.* (上海深誠能源技術有限公司)	The PRC	Energy technology development	Cessation of business operation	10 June 2019	Deregistered and dissolved

As confirmed by Mr. Xu, the companies above were solvent at the time when they were deregistered and so far as he was aware, the deregistration of the above companies have not resulted in any liability or obligation being imposed against him.

Mr. Yu Youda (于友達), aged 56, is our independent non-executive Director. Mr. Yu was appointed as an independent non-executive Director on 10 January 2017.

Mr. Yu has extensive experience in accounting and finance. From June 1994 to November 1999, he was the director of Zhejiang Xinda Certified Public Accountants, responsible for accounting matters. From December 1999 to August 2005, he was the director of Zhejiang Everbright Certified Public Accountants, responsible for accounting matters. Since September 2005, he has been the chairman of Zhejiang Weining Certified Public Accountants, responsible for overseeing accounting matters. From June 2011 to June 2017, he was an independent director of Hangzhou Landscape Architecture Design Institute Co., Ltd* (杭州園林設計院股份有限公司), a Chinese landscape architectural services company listed on the Shenzhen Stock Exchange (stock code: 300649.SZ). Since July 2019, he has been an independent director of Hengsheng Energy Co., Ltd* (恒盛能源股份有限公司), a Chinese energy company listed on the National Equities Exchange and Quotations (stock code: 872062).

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

Mr. Yu was a director of the company below, which was deregistered. The relevant details are as follows:

Name of company	Place of incorporation	Nature of business before deregistration	Reason for deregistration	Date of deregistration	Current position
Zhejiang Kewei International Exhibition & Trade Co., Ltd.* (浙江科衛國際展覽貿易有限公司)	The PRC	Exhibition and sales of scientific equipment	Cessation of business operation	27 July 2006	Deregistered and dissolved

As confirmed by Mr. Yu, the company above was solvent at the time when it was deregistered and so far as he was aware, the deregistration of the above company has not resulted in any liability or obligation being imposed against him.

Mr. Cheng Hok Kai Frederick (鄭學啟), aged 56, is our independent non-executive Director. Mr. Cheng was appointed as an independent non-executive Director on 23 September 2019.

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

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

Mr. Cheng was a director of the company below, which was dissolved by way of striking off. The relevant details are as follows:

Name of company	Place of incorporation	Nature of business before dissolution	Reason for being struck off/dissolved	Date of dissolution	Current position
China Tripod International Limited	Hong Kong	Never commenced business	No business operation	15 August 2003	Dissolved by way of striking off

As confirmed by Mr. Cheng, the company above had no business operation and was solvent at the time when it was dissolved and so far as he was aware, the dissolution of the above company has not resulted in any liability or obligation being imposed against him.

Save as disclosed above, as at the Latest Practicable Date, each of our Directors (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any of the Directors, Supervisors, senior management or Substantial Shareholders of our Company; (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and (iv), did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SUPERVISORS

As at the date of this prospectus, the board of Supervisors of our Company consists of three members. The following table sets out certain information about our Supervisors.

Name	Age	Current position	Date of joining our Group	Date of appointment	Roles and responsibilities
Ms. Liu Wen (劉雯)	39	Chairman of the board of Supervisors	12 August 2018	12 August 2018	Supervision of the Board and senior management
Ms. Xu Shuping (徐殳萍)	32	Employee representative Supervisor	28 December 2013	29 July 2019	Supervision of the Board and senior management
Mr. Wang Dongzhi (王冬至)	51	Supervisor	10 April 2011	10 April 2011	Supervision of the Board and senior management

Ms. Liu Wen (劉雯), aged 39, is our Supervisor and chairman of the board of Supervisors who is responsible for supervision of the Board and senior management.

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

She has been a senior accountant in Zhejiang Province, PRC since July 2011 and a member of the Zhejiang Institute of Certified Public Accountants in the PRC since July 2016. She graduated from the Zhejiang University in the PRC majoring in economics in December 2002.

Ms. Xu Shuping (徐殳萍), aged 32, is our employee representative Supervisor who is responsible for training and development of human resources of our Group and supervision of the Board and senior management.

Ms. Xu has extensive experience in human resources management. From July 2013 to November 2013, she was a human resources specialist in the Shanghai branch of Zhejiang Wolwo Bio-Pharmaceutical Co., Ltd (stock code: 300357.CN), a Chinese biotechnology and pharmaceutical company listed on the Shenzhen Stock Exchange. She joined our Company in December 2013 as a human resources officer and was promoted to her current position of human resources manager in January 2018. She is responsible for overall day-to-day management of human resources matters in our Company. Since July 2019, she has served as the employee representative Supervisor of our Group.

Ms. Xu has been a level two enterprise human resources manager in the PRC since November 2016. Ms. Xu graduated with a bachelor's degree in History from Wuhan University in the PRC in June 2011 and a master's degree in Chinese history from Wuhan University in the PRC in June 2013.

Mr. Wang Dongzhi (王冬至), aged 51, is our Supervisor who is responsible for supervision of the Board and senior management.

Mr. Wang has extensive experience in accounting and finance. In August 2000, he joined ENN Energy Holdings Limited (stock code: 2688), an energy company listed on the Stock Exchange, formerly known as Xin'ao Gas Holdings Co., Ltd.* (新奧燃氣控股有限公司). He successively served as the manager of the finance department, the chief accountant, the deputy general manager and the chief financial officer, and was appointed as an executive director in March 2011. He joined our Group in April 2011 as a Supervisor of our Company. Since July 2018, he has also been an independent director of Abterra Ltd., a supply chain management company listed on the Singapore Stock Exchange (stock code: ABTR.SI).

Mr. Wang has been a certified public accountant in the PRC since December 2007. Mr. Wang graduated with a master's degree in business administration from Tianjin University in the PRC in September 2002 and an executive master's degree in business administration from China Europe International Business School in the PRC in August 2016.

Save as disclosed above, as at the Latest Practicable Date, each of our Supervisors (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any of the Directors, Supervisors, senior management or Substantial Shareholders of our Company; (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and (iv) did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter in respect of our Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Supervisors that is required to be disclosed pursuant to rules 13.51(2)(a) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our businesses. The following table sets forth information regarding our senior management other than the executive Directors listed above:

Name	Age	Current position	Date of joining our Group	Date of appointment	Roles and responsibilities
Ms. Xu Yanrui (許延瑞)	56	Deputy general manager and financial controller of our Company, a director of Hangjiaxin, a supervisor of Gangqu Gas and a director of Jie'an	1 May 1998	23 February 2008	Overall financial and investments management of our Group
Mr. Gu Bin (顧斌)	47	Deputy general manager of our Company, a director of Jia'an, a director and general manager of Jie'an	28 December 2002	6 January 2014	Pipeline operation and business development of our Group

Name	Age	Current position	Date of joining our Group	Date of appointment	Roles and responsibilities
Ms. Xu Hua (徐華)	53	Deputy general manager of our Company, a supervisor of Hangjiaxin, a director and general manager of Gangqu Gas	1 May 2001	1 November 2009	Client management of our Group
Ms. Zhou Caihong (周彩紅)	34	Secretary to the Board, Company Secretary and a director of Hangjiaxin	1 July 2009	10 January 2017	Secretary matters of board of Directors
Ms. Liu Meng (劉萌)	41	Chief engineer, an assistant to chief executive officer and manager of the quality assurance department of our Company and a supervisor of Jie'an	1 July 2001	9 November 2009	Overall day-to-day management and assurance of production safety
Mr. Zhang Chenghong (章程宏)	39	Assistant to chief executive officer of our Company, and director and general manager of Jia'an	1 August 2001	1 July 2015	Overall day-to-day management of the construction projects of our Group and the overall day-to-day management of the business operation of Jia'an

Ms. Xu Yanrui (許延瑞), aged 56, is a deputy general manager and financial controller of our Company who is responsible for overall financial management of our Group. She is also a director of Hangjiaxin, a supervisor of Gangqu Gas and a director of Jie'an.

Ms. Xu has extensive experience in financial management. From December 1981 to October 1995, Ms. Xu served the finance department of Jiaxing Silk Spinning Factory* (嘉興絹紡廠) and was responsible for accounting and finance matters. From October 1995 to May 1998, she served in Jiaxing Agricultural Industrial and Commercial Industry Corporation* (嘉興城區農工商實業總公司). She joined our Company in May 1998. She served as a manager of the finance department and was promoted to the current position of deputy general manager and financial controller in February 2008 and has been in charge of financial management and internal audit of the Company.

Ms. Xu has been a senior economist in the PRC since December 2009. Ms. Xu graduated from Lixin Accounting School* (立信會計學校) in the PRC with a technical secondary school diploma in accounting in July 1989.

Ms. Xu is one of our promoters and a member of the Concert Parties. As at the Latest Practicable Date, the Concert Parties held in aggregate approximately 31.72% equity interest in our Company. Details of her interest in Shares are set forth in the section headed "Substantial Shareholders" in this prospectus.

Mr. Gu Bin (顧斌), aged 47, is a deputy general manager of our Company who is responsible for the overall day-to-day management of the production and business development. He is also a director of Jia'an, a director and general manager of Jie'an.

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

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

Ms. Xu Hua (徐華), aged 53, is a deputy general manager of our Company who is responsible for overall day-to-day client management. She is also a supervisor of Hangjiaxin, a director and general manager of Gangqu Gas.

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

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

Ms. Xu is one of our promoters and a member of the Concert Parties. As at the Latest Practicable Date, the Concert Parties held in aggregate approximately 31.72% equity interest in our Company. Details of her interest in Shares are set forth in the section headed "Substantial Shareholders" in this prospectus.

Ms. Zhou Caihong (周彩紅), aged 34, is the secretary of our Board who is responsible for overall day-to-day office administration matters. She is also a director of Hangjiaxin.

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

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

Ms. Liu Meng (劉萌), aged 41, is the chief engineer, an assistant to chief executive officer and manager of the quality assurance department of our Company who is responsible for overall day-to-day management of production safety and quality assurance matters. She is also a supervisor of Jie'an.

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

Ms. Liu has been a qualified engineer in the PRC since November 2006. Ms. Liu graduated from Shenyang Aerospace University, formerly known as Shenyang Institute of Aeronautical Engineering, with a bachelor's degree in safety engineering in July 2001.

Mr. Zhang Chenghong (章程宏), aged 39, is an assistant to chief executive officer of our Company, director and general manager of Jia'an, who is responsible for overall day-to-day management of the construction projects of our Group and the overall day-to-day management of the business operation of Jia'an.

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

Mr. Zhang has been a qualified engineer in the PRC since November 2006. Mr. Zhang graduated from East China University of Science and Technology in the PRC with a bachelor's degree in urban gas engineering in July 2001.

Save as disclosed above, as at the Latest Practicable Date, each of our senior management (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any of the Directors, Supervisors, senior management or Substantial Shareholders of our Company; (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and (iv) did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter in respect of our senior management that needs to be brought to the attention of the Shareholders and there was no information relating to our senior management that is required to be disclosed pursuant to rules 13.51(2)(a) to (v) of the Listing Rules as at the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Zhou Caihong (周彩紅), aged 34, was appointed as the joint company secretary of our Company on 25 October 2019. Ms. Zhou is one of our senior management. Please refer to the paragraph headed "Senior Management" in this section for her biography.

Ms. Sun Ah Tsang (孫亞錚), aged 40, was appointed as the joint company secretary of our Company on 1 November 2019. Ms. Sun has extensive experience in the corporate secretarial field. Since May 2005, she has worked in Tricor Services Limited, responsible for providing corporate services to clients, with her current position as a manager of the corporate services division.

Ms. Sun is currently the company secretary of two companies listed on the Stock Exchange, namely China Greenland Broad Greenstate Group Company Limited (stock code: 1253) and Natural Beauty Bio-Technology Limited (stock code: 157).

Ms. Sun has been an associate of 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 since October 2007. Ms. Sun graduated from the Hong Kong Polytechnic University with a bachelor's degree in business studies in November 2003 and a master's degree in global supply chain management in December 2006.

BOARD DIVERSITY AND POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate skills, expertise and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board and the business needs of our Company from time to time. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

Our Board comprises eight members, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and accounting experiences in addition to the PNG business. Furthermore, our Board has a good mix of new and experienced Directors, who have valuable knowledge and insights of our Group's business over the years, while the new Directors are expected to bring in fresh ideas and new perspective to our Group. Our nomination committee will (i) report annually, in the corporate governance report contained in our annual report, on our Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy; and (ii) will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required, and recommend any such revisions to our Board for consideration and approval.

We value gender diversity and will continue to take steps to promote gender diversity at the Board level. In order to achieve an appropriate balance of gender diversity in our Board, our Company targets at adding at least one female director at the re-election of our Board in January 2023, subject to the review and recommendation by our nomination committee in relation to the Board Diversity Policy.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The aggregate amounts of remuneration of our Directors and Supervisors for FY2017, FY2018 and FY2019 were approximately RMB1.1 million, RMB1.4 million and RMB1.5 million respectively. The aggregate amount of remuneration which was paid by our Company to our five highest paid individuals for FY2017, FY2018 and FY2019 were approximately RMB2.3 million, RMB2.9 million and RMB2.8 million respectively. Details of the arrangement for remuneration are set out in Note 9 to the Accountants' Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' and Supervisors' service contracts referred to in the paragraph headed "Further Information about our Directors and Supervisors – 10. Directors" as set out in Appendix VII to this prospectus, the aggregate amount of directors' and supervisors' fee and other emoluments payable to our Directors and Supervisors for FY2020 is estimated to be approximately RMB0.8 million and RMB0.1 million respectively, excluding any discretionary bonuses.

Our Directors, Supervisors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management with reference to salaries paid by comparable companies, their respective time commitment and responsibilities and the performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or Supervisors as an inducement to join or upon joining us. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

EMPLOYEES

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

BOARD COMMITTEES

Audit committee

Our Company has established an audit committee with written terms of reference in compliance with rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting, oversee the internal control and risk management systems of our Company. At present, our audit committee comprises Cheng Hok Kai Frederick, Yu Youda and Xu Linde, all being independent non-executive Directors. Cheng Hok Kai Frederick is the chairman of our audit committee.

Remuneration committee

Our Company has established a remuneration committee with written terms of reference in compliance with rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our remuneration committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors, Supervisors and senior management of our Group and review performance based remuneration. At present, our remuneration committee comprises He Yujian, being a non-executive Director, Yu Youda and Cheng Hok Kai Frederick, being independent non-executive Directors. Yu Youda is the chairman of our remuneration committee.

Nomination committee

Our Company has established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board and to make recommendations to the Board on any proposed changes to the Board composition; to assess the independence of independent non-executive Directors; to identify individual suitably qualified as potential Board members and to select or make recommendation to the Board regarding candidates to fill vacancies on our Board; and to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning of the Directors. At present, our nomination committee comprises Sun Lianqing, being the chairman of the Board, Xu Linde and Yu Youda, being independent non-executive Directors. Sun Lianqing is the chairman of the nomination committee.

Corporate governance functions

For the purpose of performing the corporate governance functions in accordance with provision D.3 of the Corporate Governance Code, the Board has adopted written terms of reference in accordance with provision D.2 of the Corporate Governance Code which provide for, among others, (i) developing and reviewing our Group's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and our Directors; and (v) reviewing our Company's compliance with the Corporate Governance Code and disclosure in the annual reports of our Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Under the code provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer of our Group should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of our Group is not separated and are performed by the same individual, Mr. Sun, who has been responsible for overall strategic planning and management of our Group since 1998. Our Directors meet regularly to consider major matters affecting the operations of our Group. As such, our Directors consider that this structure will not impair the balance of power and authority between our Directors and the management of our Group and believe that this structure will enable our Group to make and implement decisions promptly and efficiently.

COMPLIANCE ADVISER

We have appointed BOCOM International (Asia) as our compliance adviser pursuant to rule 3A.19 of the Listing Rules. Pursuant to rule 3A.23 of the Listing Rules, the compliance adviser will advise us, among others, at the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(3) where our Company proposes to use the proceeds of the Hong Kong Public Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

INDEPENDENCE FROM OUR MAJOR SHAREHOLDERS

On 23 March 2016, all of the Concert Parties, namely Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) entered into a concert party agreement with respect to their interest in the Company, which was subsequently renewed by the Concert Parties by entering into another concert party agreement on 16 March 2017, 3 January 2018 and 18 July 2019, respectively. Pursuant to these abovementioned concert party agreements, Mr. Xu Songqiang, Mr. Liu Zhenxiong, Ms. Xu Yanrui and Ms. Xu Hua, who held approximately 3.07%, 3.07%, 0.39% and 0.19% of the equity interest of our Company, respectively, throughout the Track Record Period, agreed to delegate their voting rights at general meetings of our Company to Taiding, which held approximately 26.42% equity interest of our Company throughout the Track Record Period and up to the Latest Practicable Date, for FY2016, FY2017, FY2018, FY2019 and FY2020, respectively. Accordingly, the Concert Parties are deemed to be interested in the equity interests of each other. As advised by our PRC Legal Advisers, based on a judgment from the Zhejiang Higher People's Court* (浙江省高級人民法院) dated 3 June 2020, Ms. Dai Qinjun (戴琴君) acquired the beneficial ownership of 1,415,696 shares of RMB1 each in our Company, representing approximately 1.42% shareholding interests in our Company, out of Mr. Liu Zhenxiong's shareholding interests in our Company. Please refer to the paragraph headed "History and Corporate Structure – Establishment and Major Shareholding Changes Concerning Our Company and the Major Operating Subsidiary of Our Company – (e) Transfer of equity interest by Mr. Liu Zhenxiong to Ms. Dai Qinjun" in this prospectus for details. Save as aforesaid, there was no change in the shareholdings of the Concert Parties in our Company throughout the Track Record Period and up to the Latest Practicable Date and their respective shareholdings in our Company are expected to remain unchanged up to immediately prior to completion of the Global Offering. The Concert Parties have entered into the concert party agreements with a view to consolidate control of our Company and exert greater influence on its management and operation. The Concert Parties believed that the entering into of concert party agreements with a term of one or two years would enable them to (i) have a better understanding as to the operational feasibility of the concert party arrangement, especially for the initial year(s) of the agreement; (ii) build up mutual trust and confidence among the Concert Parties; (iii) regularly evaluate the effectiveness of the concert party agreements in achieving the benefits of the concert party arrangement, and make necessary modifications to the terms thereof if needed; and (iv) allow flexibility in altering the composition to the concert party arrangement, if needed.

Mr. Liu Zhenxiong's approximately 1.65% shareholding interests in our Company were subject to judiciary freeze as at the Latest Practicable Date. As advised by the PRC Legal Advisers, the judiciary freeze of Mr. Liu Zhenxiong's shareholding interest held in our Company would not (i) affect the legal ownership of such interest by Mr. Liu Zhenxiong, subject to the disposal restriction; (ii) affect the voting rights of Mr. Liu Zhenxiong at the shareholders' meeting of the Company; (iii) affect the validity or enforceability of the concert party agreements, and hence, the ownership continuity of our Company; (iv) result in any non-compliance of the listing conditions of the Company or affect the issuance or floating of H Shares under the Global Offering under PRC laws and regulations; or (v) have any material adverse impact on the Listing. Please refer to note 8 to the chart setting out the shareholding and corporate structure of our Group immediately prior to the Global Offering under the section headed "History and Corporate Structure – Corporate Structure" in this prospectus for details of the judiciary freeze.

As at the Latest Practicable Date, the Concert Parties as a group of Shareholders owned approximately 31.72% issued share capital of our Company, while City Development owned approximately 32.76% issued share capital of our Company. Immediately following completion of the Global Offering (and assuming that the Over-allotment Option is not exercised at all), the Concert Parties will in aggregate control approximately 23.79% and City Development will hold approximately 24.57% of the total share capital of our Company. Accordingly, the Concert Parties will remain as our second largest Shareholder and City Development as our largest Shareholder after the completion of the Global Offering, but will not be regarded as Controlling Shareholders.

Taiding is owned as to approximately 65% by Mr. Sun and 35% by Ms. Xu Lili (徐麗麗), the spouse of Mr. Sun. Mr. Sun is an executive Director and chairman of the Board. Mr. Xu Songqiang (徐松強) is our executive Director and Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) are our senior management. Please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus for further information on Mr. Sun, Mr. Xu Songqiang, Ms. Xu Yanrui and Ms. Xu Hua's work experiences.

City Development is a state-owned enterprise and solely owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) and is indirectly wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會) as at the Latest Practicable Date.

None of our Major Shareholders has an interest in any business which competes or may compete with the business of our Group.

Our Directors consider that our Group is capable of carrying on our business independently of our Major Shareholders and their respective associates (other than us) based on the following reasons:

Operational Independence

Master Supply Agreements

Jiaxing Pipeline Company is one of our major suppliers during the Track Record Period, and accounted for approximately 69.8%, 82.6% and 83.7% of our total cost of purchase during FY2017, FY2018 and FY2019, respectively. On 16 June 2016, we entered into the Master Supply Agreements with Jiaxing Pipeline Company, pursuant to which we shall purchase from Jiaxing Pipeline Company, and Jiaxing Pipeline Company shall sell to us, PNG in Jiaxing up to 31 December 2025. Please refer to the paragraphs headed "Continuing Connected Transactions – Non-exempted Continuing Connected Transactions – Supply of PNG by Jiaxing Pipeline Company to our Group" and "Business – Our Source of PNG Supply – Master Supply Agreements with Jiaxing Pipeline Company" in this prospectus for details of the Master Supply Agreements.

Our Directors are of the view that the Master Supply Agreements would not give rise to undue reliance on Jiaxing Pipeline Company which impact our operational independence for the following reasons:

(i) The natural gas supply industry in the PRC is highly regulated. Jiaxing Pipeline Company has been our sole direct supplier of PNG which, to the best knowledge of our Directors, is the only upstream supplier of PNG in Jiaxing and our pipeline network is connected to the pipeline network of Jiaxing Pipeline Company. The price at which we purchase PNG from Jiaxing Pipeline Company is determined in accordance with the price set by the Jiaxing Municipal People's Government.

(ii) We are the largest PNG distributor in Jiaxing and are granted the exclusive right to sell and distribute PNG in our Operating Area pursuant to Concessions for an initial term of 25 years from 1 January 2008 to 31 December 2032 for Jiaxing Urban Operating Area and 25 years from 1 May 2008 to 30 April 2033 for Jiaxing Port Operating Area. The reliance between Jiaxing Pipeline Company and us are mutual and complementary;

(iii) While Jiaxing Pipeline Company had been our sole direct PNG supplier during the Track Record Period, in the event of shortage of supply of PNG from Jiaxing Pipeline Company, we will supplement our PNG supply through the gasification of LNG we purchased from other suppliers;

(iv) To the best knowledge of our Directors, Jiaxing Pipeline Company does not have its own source of PNG other than purchasing PNG from ZNGD, a state-owned enterprise in Zhejiang Province, and ZNGD will allocate PNG based on the planned purchase volume by different cities in Zhejiang Province. Jiaxing Pipeline Company is an intermediary which was designated as the upstream PNG supplier in the natural gas supply chain. Also, considering the basic necessity of natural gas, the PRC government and its controlled corporations generally will not allow natural gas distributors to suspend natural gas supply. We believe that we do not rely on Jiaxing Pipeline Company in a material aspect for a stable source of PNG; and

(v) The purchase of PNG from Jiaxing Pipeline Company is routine in nature without any expertise and in the event that Jiaxing Pipeline Company no longer carry on its PNG supply business, there will be other comparable service provider to replace Jiaxing Pipeline Company for the provision of such services to the Group, or we will be able to source LNG from our Dushan Port Project after commencement of its operation.

Pipeline Network Lease Agreements

On 30 September 2019 and 31 December 2019, we entered into the Pipeline Network Lease Agreements with Jiaxing Pipeline Company, a direct wholly-owned subsidiary of City Development. Pursuant to the Pipeline Network Lease Agreements, Jiaxing Pipeline Company, as lessor, agreed to lease to our Group certain pipeline network in the Jiaxing Urban Operating Area. The lease terms are for a period from 1 September 2019 to 31 December 2032 and from 1 January 2019 to 31 December 2032, respectively. The annual rent payable under the Pipeline Network Lease Agreements is calculated at rate of 9.16% of the total investment cost of the leased pipeline network based on arm's length negotiation, taking into account factors including investment costs, depreciation of pipeline network assets, investment return for Jiaxing Pipeline Company and the corresponding repair and maintenance costs to be incurred by us, which is equivalent to approximately RMB16.4 million in aggregate per year.

According to IFRS 16, we recognised right-of-use assets in relation to the fixed term leases in form of an asset (representing the right to use the underlying assets during the lease term) and a corresponding lease liability (for the obligations to make future lease payment during the lease term). The Pipeline Network Lease Agreements is subject to a fixed term and is regarded as a one-off connected acquisition of capital asset (i.e. the leased pipeline) under the Listing Rules. As the Pipeline Network Lease Agreements was entered into prior to the Listing and the transaction thereunder is one-off in nature, the payment of rental contemplated thereunder will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transaction under the Pipeline Network Lease Agreements will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Our Directors are of the view that the Pipeline Network Lease Agreements would not give rise to undue reliance on Jiaxing Pipeline Company which impacts our operational independence for the following reasons:

(i) We are the largest PNG distributor in Jiaxing and are granted the exclusive right to sell and distribute PNG in our Operating Area pursuant to Concessions for an initial term of 25 years from 1 January 2008 to 31 December 2032 for Jiaxing Urban Operating Area and 25 years from 1 May 2008 to 30 April 2033 for Jiaxing Port Operating Area. The reliance between Jiaxing Pipeline Company and us are mutual and complementary;

(ii) Jiaxing Pipeline Company is responsible for constructing urban pipeline network and gas facilities according to our business development plans and strategies, and we manage and arrange for construction of such pipeline network and gas facilities for Jiaxing Pipeline Company; and

(iii) Pursuant to the terms of the Concessions, upon the completion of the construction of the pipelines and gas facilities Jiaxing Pipeline Company is bound to lease all of its invested urban pipeline network and gas facilities in the Jiaxing Urban Area to us for our use and operation of our PNG business.

The section headed "Continuing Connected Transactions" in this prospectus sets out the continuing connected transactions between our Group and our Major Shareholders or their associates which will continue after the completion of the Global Offering. All such transactions are determined after arm's length negotiations and on normal commercial terms. Save for the continuing connected transactions set out in the section headed "Continuing Connected Transactions" in this prospectus, our Directors do not expect that there will be any other transactions between our Group and our Major Shareholders or their respective close associates upon completion of the Global Offering. Notwithstanding that there are certain transactions with related persons and connected person of our Company, during the Track Record Period, we have full rights to make all decisions on, and to carry out our own business operations independently of our Major Shareholders and their respective close associates. Such continuing connected transactions will not have any negative impact on our operational independence from our Major Shareholders and their respective close associates after Listing.

Moreover, our Company (through its subsidiaries) holds all relevant licences necessary to carry on its businesses, and has sufficient capital, equipment and employees to operate its business independently from our Major Shareholders. Our Group has independent access to sources of customers and suppliers. Our Group has also established a set of internal control procedures which facilitate the effective operation of our business.

Based on the above, our Directors are satisfied that we have been operating independently from our Major Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems. Our Directors also believe that we are able to obtain financing independent from our Major Shareholders.

To meet our working capital requirements, we had interest-bearing bank borrowings of approximately RMB178.5 million, RMB213.0 million and RMB193.4 million as at 31 December 2017, 2018 and 2019, respectively. Our banking facilities were not secured by our Major Shareholders. Please refer to the paragraph headed "Financial Information – Net Current Assets and Liabilities" in this prospectus for details.

Amounts due to related parties from our Group amounted to approximately RMB198.0 million, RMB178.6 million and RMB171.4 million as at 31 December 2017, 2018 and 2019 respectively, among which approximately RMB8.0 million, nil and nil were non-trade in nature, while the balance of which were trading in nature. All the amounts due to related parties which are non-trade in nature, if any, are expected to be settled before the Listing, while all amounts due to related parties which are trading in nature will be settled in accordance with respective normal credit terms. For further details of related party transactions and balances, please refer to note 24 of the Accountants' Report in Appendix I to this prospectus.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, none of the Concert Parties, City Development, our Directors or their respective associates, had provided any other financial assistance or any guarantee, security or pledge for any of our banking facilities and other borrowings.

In light of the foregoing, our Directors are of the view that our Group is financially independent from and does not rely on our Major Shareholders and/or their associates for any financial assistance.

Management Independence

Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. The board of Supervisors of our Company consists of three members and we have six senior management.

Our executive Directors, Mr. Sun and Mr. Xu Songqiang (徐松強), and two of our senior management, namely Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華), are the Concert Parties, and hence, one of our Major Shareholders. In addition, Mr. He Yujian (何宇健), our non-executive Director, was the chairman of the board of directors of Jiaxing Pipeline Company since March 2019.

Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In such case, as we have eight Directors (including independent non-executive Directors), our Board has sufficient members to satisfy the quorum requirement. In addition, we have an independent management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Major Shareholders after the Global Offering.

So far as our Directors are aware, the following persons will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

			As at the Latest Practicable Date			Immediately following completion of the Global Offering	
Name	**Class of Shares held after the Global Offering**	**Capacity/ Nature of interest**	**Number of Shares held**	**Deemed interest pursuant to the SFO**	**Approximate percentage of shareholding in our Company**	**Approximate percentage of shareholding in the relevant class** *(Note 1)*	**Approximate percentage of shareholding in the total share capital of our Company** *(Note 2)*
City Development (*Note 3*)	Domestic Shares	Beneficial owner	32,757,502	N/A	32.76%	32.76%	24.57%
Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) *(Note 3)*	Domestic Shares	Interest in a controlled corporation	N/A	32,757,502	32.76%	32.76%	24.57%
Jiaxing State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) *(Note 3)*	Domestic Shares	Interest in a controlled corporation	N/A	32,757,502	32.76%	32.76%	24.57%

Name	Class of Shares held after the Global Offering	Capacity/ Nature of interest	As at the Latest Practicable Date			Immediately following completion of the Global Offering	
			Number of Shares held	Deemed interest pursuant to the SFO	Approximate percentage of shareholding in our Company	Approximate percentage of shareholding in the relevant class *(Note 1)*	Approximate percentage of shareholding in the total share capital of our Company *(Note 2)*
Taiding (*Note 4*)	Domestic Shares	A party to concert party agreement, beneficial owner	26,424,222	5,296,584	31.72%	31.72%	23.79%
Mr. Sun *(Note 5)*	Domestic Shares	Interest in a controlled corporation	N/A	31,720,806	31.72%	31.72%	23.79%
Xu Lili (徐麗麗) *(Note 6)*	Domestic Shares	Interest in a controlled corporation	N/A	31,720,806	31.72%	31.72%	23.79%
Xu Songqiang (徐松強) (*Note 4*)	Domestic Shares	A party to concert party agreement, beneficial owner	3,069,891	28,650,915	31.72%	31.72%	23.79%
Chen Ying (陳瑛) (*Note 7*)	Domestic Shares	Interest of spouse	N/A	31,720,806	31.72%	31.72%	23.79%
Liu Zhenxiong (劉振雄) (*Note 4*)	Domestic Shares	A party to concert party agreement, beneficial owner	1,654,195	30,066,611	31.72%	31.72%	23.79%
Xu Yanrui (許延瑞) (*Note 4*)	Domestic Shares	A party to concert party agreement, beneficial owner	386,299	31,334,507	31.72%	31.72%	23.79%
Luo Yining (羅漣寧) *(Note 8)*	Domestic Shares	Interest of spouse	N/A	31,720,806	31.72%	31.72%	23.79%
Xu Hua (徐華) (*Note 4*)	Domestic Shares	A party to concert party agreement, beneficial owner	186,199	31,534,607	31.72%	31.72%	23.79%
Zhuji Yujia (*Note 9*)	Domestic Shares	Beneficial owner	11,894,374	N/A	11.89%	11.89%	8.92%

Name	Class of Shares held after the Global Offering	Capacity/ Nature of interest	As at the Latest Practicable Date			Immediately following completion of the Global Offering	
			Number of Shares held	Deemed interest pursuant to the SFO	Approximate percentage of shareholding in our Company	Approximate percentage of shareholding in the relevant class *(Note 1)*	Approximate percentage of shareholding in the total share capital of our Company *(Note 2)*
Qianyu *(Note 9)*	Domestic Shares	Interest in a controlled corporation	N/A	11,894,374	11.89%	11.89%	8.92%
Mr. Tang Shiyao (湯仕堯) *(Note 9)*	Domestic Shares	Interest in a controlled corporation	N/A	11,894,374	11.89%	11.89%	8.92%
Ms. Fu Fangying (傅芳英) *(Note 10)*	Domestic Shares	Interest of spouse	N/A	11,894,374	11.89%	11.89%	8.92%
Xin'ao	Domestic Shares	Beneficial owner	7,155,049	N/A	7.16%	7.16%	5.37%

Notes:

(1) The calculation is based on the total number of 100,000,000 Domestic Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised at all.

(2) The calculation is based on the total number of 133,340,000 Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised at all.

(3) City development is wholly-owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司), which is wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會). Under the SFO, Zhejiang Jiaxing State-owned Capital Investment Management Company Limited and Jiaxing State-owned Assets Supervision and Administration Commission are deemed to be interest in the same number of Shares in which City Development is interested.

(4) Taiding, Xu Songqiang, Liu Zhenxiong, Xu Yanrui and Xu Hua are parties acting in concert pursuant to acting in concert agreements dated 23 March 2016, 16 March 2017, 3 January 2018 and 18 July 2019. Under the SFO, each member of the Concert Parties is deemed to be interested in the Shares beneficially owned by the other members of the Concert Parties.

(5) Mr. Sun is interested in 65% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.

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

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

(8) Mr. Luo Yining is the spouse of Ms. Xu Yanrui. Under the SFO, Mr. Luo Yining is deemed to be interested in the same number of Shares in which Ms. Xu Yanrui is interested.

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

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

Save as disclosed in this section, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

As at the date of this prospectus, the share capital of our Company is RMB100,000,000, divided into 100,000,000 Shares with a nominal value of RMB1 each.

On 7 January 2020, we obtained the CSRC approval for the issue of not more than 38,341,000 H Shares with a nominal value of RMB1 each under the Global Offering. As a result, upon the Listing, a total of 100,000,000 Domestic Shares with nominal value of RMB1 each will be in issue upon the Listing.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

Number of Shares	Description of shares	Approximate percentage to total share capital
100,000,000	Domestic Shares	75.00%
33,340,000	H Shares to be issued under the Global Offering	25.00%
133,340,000	Shares	100%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the Global Offering will be as follows:

Number of Shares	Description of shares	Approximate percentage to total share capital
100,000,000	Domestic Shares	72.29%
38,341,000	H Shares to be issued under the Global Offering	27.71%
138,341,000	Shares	100%

The above table assumes the Global Offering becomes unconditional and is completed.

OUR SHARES

Upon completion of the Global Offering, our Domestic Shares and H Shares are both ordinary shares in our Company. H Shares may only be subscribed for and traded in HK$. Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC or via Shanghai-Hong Kong Stock Connect (滬港通) or Shenzhen-Hong Kong Stock Connect (深港通), H Shares generally cannot be subscribed for by or traded by legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC. We must pay all dividends in respect of H Shares in HK$ and all dividends in respect of Domestic Shares in RMB.

Under the PRC Company Law, in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange.

Except as described in this prospectus and in relation to the despatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarised in Appendix VI to this prospectus, our Domestic Shares and our H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time.

Under our Articles of Association, any change or abrogation of the rights of class shareholders should be approved by way of a special resolution of the general meeting of shareholders and by a separate meeting of shareholders convened by the affected class shareholders. However, as provided in our Articles of Association, the procedures for the approval by separate class shareholders shall not apply (i) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently in any twelve-month period, not more than 20% of each of the existing issued Domestic Shares and H Shares; (ii) where the plan for the issue of Domestic Shares and H Shares upon the Company's establishment is implemented within fifteen months following the date of approval by the authorised securities regulatory authorities of the State Council; or (iii) upon the transfer of our Domestic Shares held by the holders of our Domestic Shares to overseas investors and the listing and trading of such transferred shares shall have obtained the approval of the authorised securities regulatory authorities of the State Council.

Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Upon Listing, we will have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange provided that prior to the transfer and trading of such transferred shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such transfer, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be transferred to overseas investors and to be traded as H Shares on the Stock Exchange, such transfer and conversion will need to obtain the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the transfer and conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No class shareholder voting is required for the listing and trading of the transferred shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed transfer. The relevant procedural requirements for the transfer and conversion of the Domestic Shares to H Shares are:

(1) The holder of Domestic Shares shall obtain the requisite approval of CSRC or the authorised securities approval authorities of the State Council for the transfer of all or part of its Domestic Shares into H Shares.

(2) The holder of Domestic Shares shall issue to us a removal request in respect of a specified number of the Shares attaching the relevant documents of title.

(3) Subject to obtaining the approval of the Board, we would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holders with H share certificates for such specified number of Shares.

(4) Such specified number of Domestic Shares to be transferred to H Shares are then re-registered on the H share register maintained in Hong Kong on the condition that:

    (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H share register and the due despatch of H share certificate; and

    (b) the admission of the H Shares (converted from Domestic Shares) to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.

(5) Upon completion of the transfer and conversion, the shareholding of the relevant holder of Domestic Shares in our domestic share register will be reduced by such number of Domestic Shares transferred and the number of H Shares in the H share register will correspondingly be increased by the same number of Shares.

(6) We will comply with the Listing Rules to inform our shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

SHARE LOCK-UP

The PRC Company Law provides that in relation to the Global Offering of a company, the shares issued by a company prior to the Global Offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to its statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange* (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 working days upon listing.

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in the Accountants' Report in this prospectus and operating data included elsewhere in this prospectus. The consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results, outcomes and developments will meet the expectations and predictions depends on a number of risk and uncertainties over which our Group do not have control. Please refer to the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus for discussion of those risks and uncertainties.

OVERVIEW

We are the largest PNG operator in Jiaxing (嘉興), a major prefecture-level city in Zhejiang Province, the PRC. Since 2008, as the grantee of the Concessions, we have been the exclusive distributor of PNG in our Operating Area in Jiaxing under the Concession Agreements. Our Operating Area is located within Jiaxing Port Area and Jiaxing Urban Area. Jiaxing Port Area and Jiaxing Urban Area in aggregate occupied approximately 1,041.4 km^2. According to the F&S Report, we were:

– the largest PNG distributor in Jiaxing in terms of PNG sales volume in 2019, with a market share of 22.7% (where the top five PNG distributors in Jiaxing together accounted for 61% of the entire Jiaxing PNG distribution market);

– the fifth largest PNG distributor out of approximately 220 natural gas operators in Zhejiang Province in terms of PNG sales volume in 2019, with a market share of 2.5% (where the top PNG distributor accounted for 5.9% of the market share) *(Note)*; and

– one of the two natural gas operators in Zhejiang Province investing in and managing a LNG storage and transportation station to import LNG from overseas.

Note:

The PNG sales volume in Jiaxing represented 11.0% of the PNG sales volume in Zhejiang Province, which in turn represented 4.8% of the PNG sales volume in the PRC in 2019 according to the F&S Report. Please see the paragraph headed "Industry Overview – China, Zhejiang Province and Jiaxing Natural Gas Industry Overview" in this prospectus for details.

During the Track Record Period, our principal business comprised (i) sales of gas, mainly PNG (under the Concessions), LNG and LPG in Jiaxing; (ii) 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; and (iii) others, including provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

For each of FY2017, FY2018 and FY2019, our total revenue was RMB883.6 million, RMB1,258.8 million and RMB1,330.3 million, respectively, representing a CAGR of 22.7% over the three years from FY2017 to FY2019. Our net profit for the years were RMB64.3 million, RMB73.3 million and RMB89.4 million, respectively, representing a CAGR of 17.9% over the three years from FY2017 to FY2019.

BASIS OF PRESENTATION

The financial information has been prepared by our Directors based on accounting policies which conform with IFRSs which comprise all standards and interpretations approved by the International Accounting Standards Board, on the basis of presentation as set out in Note 2.1 to the Accountants' Report in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

Going Concern

The net current liabilities of our Group as at 31 December 2019 amounted to RMB275.8 million. Our Directors have prepared the historical financial information on a going concern basis notwithstanding the net current liabilities of our Group because our Directors have considered our available sources of funds as follows:

(1) our expected net cash inflows from operating activities in the foreseeable future; and

(2) unutilised banking facilities of RMB544.5 million as at 31 December 2019.

Having considered the foregoing, the prospective profitable business, available internal financial resources and banking facilities, our Directors are of the opinion that our Group is able to meet in full our financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the historical financial information on a going concern basis.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Government policies and price control regime for natural gas

Our results of operations and financial condition may be affected by (i) government policies regarding our natural gas purchase and selling prices; (ii) policy direction on energy consumption in the PRC and environmental policy that would drive the demand of clean energy. The Jiaxing Municipal People's Government determines the benchmark gateway station price on which our purchase price for PNG is based and the end-user prices on which our selling price of PNG is based with reference to the general pricing guidelines and provincial level pricing policies issued by NDRC and the Zhejiang Provincial Development and Reform Commission. For residential usage, the end-user price is a fixed price, whereas for industrial and commercial usage, the end-user price could be agreed upon between us and the users up to the highest selling price. See the paragraph headed "Regulatory Overview – Pricing of Natural Gas" in this prospectus for information on the regulatory regime for pricing of natural gas.

In any event, we have limited control over the purchase and selling price of PNG, which is strictly controlled by the government and adjusted from time to time. Any unfavourable changes to the pricing of our purchases and sales of PNG may adversely affect our revenue, cost, cash flows and results of operation.

For illustrative purposes only, the following table sets out a sensitivity analysis of the effect of fluctuations of our per unit average selling price of PNG on our profit before tax during the Track Record Period (assuming other factors unchanged). Fluctuation in our per unit average selling price are assumed to be 5%, 10% and 20% as commensurate with historical fluctuation.

	Increase/decrease in per unit average selling price of PNG		
Hypothetical fluctuations	**+/-5%**	**+/-10%**	**+/-20%**
	RMB'000	*RMB'000*	*RMB'000*
Increase/decrease in profit before taxation			
FY2017	+/-34,341	+/-68,682	+/-137,363
FY2018	+/-49,279	+/-98,559	+/-197,118
FY2019	+/-54,094	+/-108,189	+/-270,472

Pricing of our PNG purchases and sales are subject to regulatory control. Historically, the unit selling price and unit purchase cost are usually adjusted in the same direction and in similar magnitude. Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

Cost of natural gas

PNG purchase price is generally determined with reference to the maximum price imposed by the Jiaxing Municipal People's Government and the relevant commodity price bureaus. Our purchase price for PNG is determined based on a combination of factors including the relevant government guided benchmark gateway station prices, pipeline transmission tariff and settlement terms. Provincial Development and Reform Commissions set PNG gateway station price within their provinces based on conditions of their regions.

In any event, we have limited control over the pricing of our PNG supplies, which are strictly controlled by the government and adjusted from time to time. If the prices of PNG that we purchase from our principal supplier or LNG that we purchase to supplement our PNG supply fluctuate due to changes in regulatory policies or prevailing market conditions and we are unable to pass the impact of the price adjustments to our customers in a timely manner, our cost, cash flows and results of operation may be adversely affected.

For illustrative purposes only, the following table sets out a sensitivity analysis of the effect of fluctuations of our per unit average purchase price of PNG on our profit before tax during the Track Record Period (assuming other factors unchanged). Fluctuation in our unit average purchase price of PNG are assumed to be 5%, 10% and 20% as commensurate with historical fluctuation.

	Increase/decrease in per unit average purchase price of PNG		
Hypothetical fluctuations	**+/-5%**	**+/-10%**	**+/-20%**
	RMB'000	*RMB'000*	*RMB'000*
Decrease/increase in profit before taxation			
FY2017	-/+27,182	-/+54,363	-/+108,726
FY2018	-/+41,604	-/+83,209	-/+166,418
FY2019	-/+44,349	-/+88,699	-/+221,747

Pricing of our PNG purchases and sales are subject to regulatory control. Historically, the unit selling price and unit purchase cost are usually adjusted in the same direction and in similar magnitude. Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

Customer Mix

Our gas business consists of mainly sales of gas and provision of construction and installation services of end-user pipeline network and gas facilities during the Track Record Period. Our gross profit margin were 17.2%, 13.5% and 14.8% for FY2017, FY2018 and FY2019, respectively. The fluctuation was mainly due to (i) the different revenue mix as different types of revenue generated different gross profit margin with different trend; and (ii) the difference in customer mix, of which different gross profit margins were attained.

The fluctuation of gross profit margin of sales of gas is highly driven by our purchasing and selling price of gas and the change in demand of gas sales to different types of users, whilst fluctuation of gross profit margin of construction and installation of gas pipelines is driven by the types of construction projects undertaken. For FY2017, FY2018 and FY2019, the majority of our revenue was generated from the sales of gas, which accounted for 83.2%, 85.9% and 87.5% of our total revenue (before government surcharges) during the Track Record Period whilst the gross profit margin attained from the sales of gas were 11.3%, 8.9% and 10.3% for the respective year.

Our sales of PNG to industrial users accounted for the majority of our revenue from sales of gas, which accounted for 73.1%, 78.0% and 77.3% of total sales of PNG in FY2017, FY2018 and FY2019, respectively. Our major industrial customers during the Track Record Period included companies engaged in glass, steel, chemical, food manufacturing industries. With a relatively larger sales volume, our sales to our industrial users are generally of relatively lower selling prices than the highest selling price set by the Jiaxing Municipal People's Government as we offer certain discounts to them.

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

Fluctuation in supply of gas

During the Track Record Period, our major suppliers included Jiaxing Pipeline Company, our sole direct supplier of PNG for our PNG supply business. For FY2017, FY2018 and FY2019, purchases from our largest supplier amounted to RMB543.6 million, RMB832.1 million and RMB887.0 million, respectively, which accounted for 69.8%, 82.6% and 83.7% of our total cost of purchase for the corresponding periods. For details please refer to the paragraph headed "Business – Our Suppliers, Raw Materials and Inventories" in this prospectus.

As we only maintain a limited amount of reserve of gas, we may need to source alternative supply of gas when we receive an insufficient supply of gas from our suppliers. Further, we may also face shortage of gas in the PRC as a whole, due to reasons beyond our control, for examples, disruption of gas supply of our upstream suppliers or the occurrence of any adverse political and economic conditions in gas exporting countries, resulting in the significant fluctuation of gas supply in the market. If we are not able to source sufficient amount of gas on commercially acceptable terms, or at all, our business, financial condition and operating result would be adversely affected.

Change in interest rate

Our operation is primarily funded through (i) internally generated cash inflows; and (ii) external bank borrowings which were interest-bearing. As at 31 December 2017, 2018 and 2019, our interest-bearing bank borrowings amounted to RMB178.5 million, RMB213.0 million and RMB193.4 million, respectively. Accordingly, our interest on bank borrowings before interest capitalisation amounted to RMB14.7 million, RMB9.5 million and RMB9.9 million for FY2017, FY2018 and FY2019, respectively.

We do not use derivative financial instruments to hedge our interest rate risk. As such, any increase to the interest rates of our bank borrowings arising from, among others, global economic environment and total monetary policy in the PRC, may affect our ability to obtain or renew bank borrowings and increase our total interest expenses, and thus, adversely affect our results of operations.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management's judgments based on information and financial data that may change in the future. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on key sources of estimation uncertainty, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. Our significant accounting policies, estimates and judgements, which are important for the understanding of our financial condition and results of operations, are set forth in Notes 2.3 and 3 to the Accountants' Report.

IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have consistently applied IFRSs, International Accounting Standards ("**IASs**"), amendments and interpretations that are effective for the accounting period beginning on 1 January 2017 throughout the Track Record Period. Specifically, we have adopted IFRS 15 "Revenue from contracts with customers" ("**IFRS 15**") and IFRS 9 "Financial Instruments" ("**IFRS 9**") on a consistent basis throughout the Track Record Period and we have also applied IFRS 16 "Leases" ("**IFRS 16**") in advance of its effective date throughout the Track Record Period.

IFRS 9 "Financial Instruments" and the related amendments

From 1 January 2017, we have applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses ("ECL") for financial assets; and (iii) general hedge accounting. We have applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2017 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2017.

The application of IFRS 9 on 1 January 2017 has no impact on the consolidated financial position of our Group with regard to classification and measurement of financial instruments. All financial assets classified as loans and receivables and financial liabilities measured at amortised cost under IAS 39 continue to be measured at amortised cost under IFRS 9.

Based on the assessment performed by our management, it is considered that the ECL for trade receivables at amortised cost, which is estimated based on ECL rate of around 0.1% to 0.11%. See note 30 of the Accountants' Report as set out in Appendix I to this prospectus for details.

Our Group has assessed the effects of adoption of IFRS 9 on our Group's financial statements and considered that the adoption did not have a significant impact on our financial positions and performance compared to that of IAS 39.

IFRS 15 "Revenue from contracts with customers"

The adoption of IFRS 15 has no impact on our Group's financial position and performance as compared to that of IAS 18. There is no transaction price allocated to the unsatisfied performance obligations as at 31 December 2017, 2018, 2019. See note 6 of the Accountants' Report as set out in Appendix I to this prospectus for details.

IFRS 16 "Leases"

Our Group has early adopted IFRS 16, which replaces IAS 17 "Lease" and the related interpretation ("**IAS 17**"), and applied consistently since the beginning of, and throughout, the Track Record Period in the preparation of our historical financial information.

See note 3 and note 4 of the Accountants' Report set out in Appendix I to this prospectus for details for the application of IFRS 16 and the accounting policy of lease.

IFRS 16 will result in all leases, except for lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases has been removed. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period arising from the difference of present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the incremental borrowing rate is being used. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from our leases are initially measure on a present value basis. Lease liabilities include the net present value of fixed lease payments, variable lease payments that are based on a rate and the exercise price of a purchase option if the lessee is reasonably certain to exercise that option. Our lease payments are discounted using the interest rate implicit in our leases, if that rate can be determined, or our Group's incremental borrowing rate. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise certain restaurant equipment.

During FY2017, FY2018 and FY2019, there are no revision of lease terms generating financial effect in recognised lease liabilities and right-of-use assets.

Following the early adoption of IFRS 16, leases are recognised in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and in respect of which depreciation expenses and finance costs are charged instead of rental expenses (under other operating expenses). The table below sets forth the summary of major impacts of the adoption of IFRS 16 on our Group's (a) consolidated statements of financial position; (b) consolidated statements of profit or loss and other comprehensive income; and (c) certain key financial ratios when compared to that of IAS 17 "Leases".

(a) Impacts to consolidated statements of financial position

	Total assets			**Total liabilities**		
	As at 31 December			**As at 31 December**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under IAS 17 <A>	1,199,209	1,276,653	1,248,328	872,065	877,440	831,474
Currently reported under IFRS 16 <B>	1,310,127	1,380,774	1,354,769	1,044,729	1,042,752	997,940
Difference (<B> – <A>)	110,918	104,121	106,441	172,664	165,312	166,466

	Right-of-use assets			**Lease liabilities**		
	As at 31 December			**As at 31 December**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under IAS 17 <A>	–	–	–	–	–	–
Currently reported under IFRS 16 <B>	136,649	128,785	130,434	190,151	175,071	164,112
Difference (<B> – <A>)	136,649	128,785	130,434	190,151	175,071	164,112

	Total equity		
	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
As if reported under IAS 17 <A>	327,144	399,213	416,854
Currently reported under IFRS 16 <B>	265,398	338,022	356,829
Difference (<B> – <A>)	(61,746)	(61,191)	(60,025)

(b) Impacts to consolidated statements of profit or loss

	Net profit			Rental expense		
	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under IAS 17 <A>	65,653	72,772	88,199	14,881	16,400	18,421
Currently reported under IFRS 16 <B>	64,343	73,327	89,366	–	–	–
Difference (<B> – <A>)	(1,310)	555	1,167	(14,881)	(16,400)	(18,421)

	Depreciation			Finance cost		
	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under IAS 17 <A>	45,119	49,192	49,885	13,264	8,669	9,411
Currently reported under IFRS 16 <B>	52,850	57,025	58,339	22,795	17,850	19,261
Difference (<B> – <A>)	7,731	7,833	8,454	9,531	9,181	9,850

(c) *Impacts to certain key financial ratios*

	Net profit margin[1]			Interest coverage ratio[2]		
	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019
	(%)	*(%)*	*(%)*	*(times)*	*(times)*	*(times)*
As if reported under IAS 17	7.4	5.8	6.6	7.4	11.9	13.3
Currently reported under IFRS 16	7.3	5.8	6.7	4.7	6.4	7.1

	Return on equity[3]			Return on total assets[4]		
	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019
	(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
As if reported under IAS 17	N/A	25.2	25.8	N/A	5.9	7.0
Currently reported under IFRS 16	27.4	24.3	26.1	4.6	5.4	6.5

	Current ratio[5]			Gearing ratio[6]		
	As at 31 March			As at 31 March		
	2017	2018	2019	2017	2018	2019
	(times)	*(times)*	*(times)*	%	%	%
As if reported under IAS 17	0.3	0.3	0.4	54.6	53.4	46.4
Currently reported under IFRS 16	0.3	0.3	0.4	67.3	63.0	54.2

Notes:

(1) Net profit margin for FY2017, FY2018 and FY2019 was calculated on profit for the year divided by turnover for the respective year.

(2) Interest coverage is calculated based on profit before finance cost and tax divided by interest for the respective year.

(3) Return on equity for FY2017, FY2018 and FY2019 was calculated based on the profit for the year for the respective periods divided by the average balance of the total equity attributable to the Shareholders as at the respective years and multiplied by 100%. As amount as at 31 December 2016 is not within the Track Record Period, no corresponding financial information prepared as if reported under IAS 17 is available for the purpose of calculation.

(4) Return on total assets for FY2017, FY2018 and FY2019 was calculated based on the net profit for the respective years divided by the average balance of the total assets of the respective years and multiplied by 100%. As amount as at 31 December 2016 is not within the Track Record Period, no corresponding financial information prepared as if reported under IAS 17 is available for the purpose of calculation.

(5) Current ratios as at 31 December 2017, 2018 and 2019 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(6) Gearing ratios as at 31 December 2017, 2018 and 2019 were calculated based on the total interest-bearing borrowings as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss from the financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	FY2017		FY2018		FY2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	883,604	100.0	1,258,782	100.0	1,330,332	100.0
Cost of sales	(731,983)	(82.8)	(1,088,525)	(86.5)	(1,133,267)	(85.2)
Gross profit	151,621	17.2	170,257	13.5	197,065	14.8
Other income and gains	5,510	0.6	2,256	0.2	1,298	0.1
Selling and distribution expenses	(19,358)	(2.2)	(22,565)	(1.8)	(21,878)	(1.7)
Administrative expenses	(37,470)	(4.2)	(41,868)	(3.3)	(43,097)	(3.3)
Impairment losses on financial and contract assets, net	(1,075)	(0.1)	1,023	0.1	60	–
Other expenses	(339)	(0.0)	(4,179)	(0.4)	(3,898)	(0.3)
Finance costs	(22,795)	(2.6)	(17,850)	(1.4)	(19,261)	(1.4)
Share of results of:						
Joint ventures	2,624	0.2	(472)	–	(3,110)	(0.2)
Associates	4,979	0.6	9,030	0.7	10,163	0.8
Profit before tax	83,697	9.5	95,632	7.6	117,342	8.8
Income tax expense	(19,354)	(2.2)	(22,305)	(1.8)	(27,976)	(2.1)
Profit for the year	64,343	7.3	73,327	5.8	89,366	6.7

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we mainly generated revenue from (i) our gas operation, namely sales of gas, and (ii) provision of construction and installation services to construct and install end-user pipeline network and gas facilities. During the Track Record Period, all our revenue was generated in the PRC. The following table sets forth the breakdown of the sources of our revenue during the Track Record Period.

	FY2017		FY2018		FY2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales of gas						
– *PNG*	686,816	77.2	985,588	77.9	1,081,889	81.0
– *LNG*	5,791	0.6	13,601	1.1	11,862	0.9
– *LPG*	48,049	5.4	87,807	6.9	75,554	5.6
Sub-total	740,656	83.2	1,086,996	85.9	1,169,305	87.5
Provision of Construction and installation services	106,387	12.0	129,316	10.2	116,146	8.7
Others *(Note 1)*	42,989	4.8	49,160	3.9	50,313	3.8
Total (before government surcharges)	890,032	100.0	1,265,472	100.0	1,335,764	100.0
Less: government surcharges *(Note 2)*	(6,428)		(6,690)		(5,432)	
Total	883,604		1,258,782		1,330,332	

Notes:

(1) During the Track Record Period, "Others" include provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

(2) "Government surcharges" comprise of business taxes and other surcharges accrued during the Track Record Period.

Sales of gas

Our sales of gas included sales of PNG to customers, including residential, commercial and industrial customers. We also sold LNG and LPG during the Track Record Period. Our sales of gas amounted to RMB740.7 million, RMB1,087.0 million and RMB1,169.3 million for FY2017, FY2018 and FY2019, respectively. Revenue from sales of gas is recognised at a point in time when the performance obligation is satisfied upon delivery of the gas. The following table sets forth the breakdown on sales of gas during the Track Record Period:

	FY2017		**FY2018**		**FY2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales of gas						
– PNG	686,816	92.7	985,588	90.6	1,081,889	92.5
– LNG	5,791	0.8	13,601	1.3	11,862	1.0
– LPG	48,049	6.5	87,807	8.1	75,554	6.5
	740,656	100.0	1,086,996	100.0	1,169,305	100.0

Sales of PNG

The tables below set forth key data of our sales of PNG during the Track Record Period.

	FY2017	**As a percentage to total**	**FY2018**	**As a percentage to total**	**FY2019**	**As a percentage to total**
		%		*%*		*%*
PNG						
Residential users						
Revenue (RMB'000)	97,739	14.2	116,568	11.8	131,951	12.2
Sales volume ('000m^3)	34,932	13.3	41,733	11.1	46,997	12.9
Average selling price (RMB/m^3)	2.80		2.79		2.81	

	FY2017		FY2018		FY2019	
		As a percentage to total		As a percentage to total		As a percentage to total
		%		%		%
Industrial users						
Revenue (RMB'000)	501,920	73.1	768,206	78.0	836,623	77.3
Sales volume ('000m^3)	197,474	75.3	301,047	79.9	283,852	77.7
Average selling price (RMB/m^3)	2.54		2.55		2.95	
Commercial users						
Revenue (RMB'000)	87,157	12.7	100,814	10.2	113,315	10.5
Sales volume ('000m^3)	30,042	11.4	33,802	9.0	34,578	9.4
Average selling price (RMB/m^3)	2.90		2.98		3 .28	
Total sales of PNG						
Revenue (RMB'000)	686,816	100.0	985,588	100.0	1,081,889	100.0
Sales volume ('000m^3)	262,448	100.0	376,582	100.0	365,427	100.0
Average selling price (RMB/m^3)	2.62		2.62		2.96	

Residential users

Our sales of PNG to residential users amounted to RMB97.7 million, RMB116.6 million and RMB132.0 million for FY2017, FY2018 and FY2019, respectively, representing 14.2%, 11.8% and 12.2% of our total revenue from sales of PNG in the respective years. Our sales volume increased generally during the Track Record Period mainly due to the increase in number of residents using our PNG along with the growth of demand of natural gas associated with the continued economic development in Jiaxing. During the Track Record Period, our selling prices of PNG sold to our residential users were stagnant following the price set by the relevant government authorities. The fluctuation in average selling price of PNG sold to our residential users during the Track Record Period was primarily due to the difference in unit price with different usage according to the hierarchical pricing system set by the relevant government authorities. There was no adjustment to such hierarchical pricing system and the price set by the pricing bureaus during the Track Record Period. See the paragraph headed "Regulatory overview – Pricing of natural gas – The price of natural gas in Jiaxing" in this prospectus for details of the hierarchical pricing system. Our per unit selling prices to our residential users remained relatively stable during the Track Record Period.

Industrial users

Our sales of PNG to industrial users amounted to RMB501.9 million, RMB768.2 million and RMB836.6 million for FY2017, FY2018 and FY2019, respectively, representing 73.1%, 78.0% and 77.3% of our total revenue from sales of PNG in the respective years. Our sales volume increased generally from FY2017 to FY2018 mainly due to the increase in number of industrial users for our PNG primarily due to the addition of new customers and the increase in PNG usage per user resulting from the switch of use of coal to gas following the environmental policy implemented by the local government and also attributable to the implementation of the "coal-to-gas" policies in Zhejiang Province and Jiaxing. The per unit selling price to our industrial users are generally lower than the per unit selling price to other types of users mainly due to the discount offered to certain industrial users with higher volume of usage of gas.

Our per unit selling price to our industrial users remained relatively stable for FY2017 to FY2018 . Our per unit selling price to our industrial users increased from FY2018 to FY2019 primarily due to the general increase in per unit purchase price of PNG from RMB2.244/m^3 to RMB2.904/m^3 and increase in highest selling price to non-residential users from RMB3.21/m^3 to RMB3.89/m^3 pursuant to the Notice on the Adjustment of Non-residential Usage Natural Gas Prices (《關於調整非居民用天然氣價格有關事項的通知》嘉發改物[2018]344號) issued by the Jiaxing Development and Reform Commission in December 2018. The highest selling price to non-residential users then decreased from RMB3.89/m^3 to RMB3.6/m^3 pursuant to the Notice on the Adjustment of Non-residential Usage Natural Gas Prices (《關於調整非居民用天然氣價格有關事項的通知》嘉發改物[2019]74號) issued by the Jiaxing Development and Reform Commission which was applicable since 1 April 2019. Such increase had led to the decrease in total sales volume in FY2019 as certain of our industrial customers chose to consume alternative resources, such as coal, electricity, heavy oil and vapour, instead of PNG.

Commercial users

Our sales of PNG to commercial users amounted to RMB87.2 million, RMB100.8 million and RMB113.3 million for FY2017, FY2018 and FY2019, respectively, representing 12.7%, 10.2% and 10.5% of our total revenue from sales of PNG in the respective years. Our sales volume increased generally during the Track Record Period mainly due to the increase in number of commercial users using our PNG primarily due to the addition of new customers resulting from switch of use of gas from other alternatives following the environmental policy implemented by the local government and the growth of demand of natural gas associated with the continued economic development in Jiaxing. The per unit selling price then remained stable in FY2017 and FY2018. Our per unit selling price to our commercial users increased from FY2018 to FY2019 primarily due to the general increase in per unit purchase price of PNG from RMB2.244/m^3 to RMB2.904/m^3 and increase in highest selling price to non-residential users from RMB3.21/m^3 to RMB3.89/m^3 pursuant to the Notice on the Adjustment of Non-residential Usage Natural Gas Prices (《關於調整非居民用天然氣價格有關事項的通知》嘉發改物[2018]344號) issued by the Jiaxing Development and Reform Commission in December 2018. The highest selling price to non-residential users then decreased from RMB3.89/m^3 to RMB3.6/m^3 pursuant to the Notice on the Adjustment of Non-residential Usage Natural Gas Prices (《關於調整 非居 民用天然氣價格有關事項的通知》嘉發改物[2019]74號) issued by the Jiaxing Development and Reform Commission which was applicable since 1 April 2019. Our total sales volume remained relatively stable in FY2018 and FY2019.

Sales of LNG

Our sales of LNG were mainly to commercial users, which amounted to RMB5.8 million, RMB13.6 million and RMB11.9 million for FY2017, FY2018 and FY2019, respectively. The significant increase in revenue from sales of LNG in FY2018 was primarily due to the addition of new customers resulting from the use of gas from other alternatives following the environmental policy implemented by the local government. Our per unit selling price of LNG was not subject to restriction by government and was primarily driven by market conditions such as supply, demand and purchase volume.

Sales of LPG

During the Track Record Period, we sold LPG to residential, commercial and industrial users on a retail basis. The residential, commercial and industrial users of LPG typically do not have access to the PNG pipeline networks we operate and consider LPG more convenient for their daily usage due to its ease of transportation and higher calorific value. We also sold LPG to wholesale customers for their onward sale depending on the market demand. For FY2017, FY2018 and FY2019, our revenue generated from the sales of LPG were RMB48.0 million, RMB87.8 million and RMB75.6 million, respectively. We experienced increase in revenue from sales of LPG from FY2017 to FY2018 primarily due to the increase in selling price of LPG per tonne sold and additions of certain new customers with large volume of consumption.

Construction and installation business

The following table sets forth the breakdown of our revenue from provision of construction and installation services during the Track Record Period:

	FY2017		**FY2018**		**FY2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Provision of construction services	53,670	50.4	75,981	58.8	63,215	54.4
Provision of installation and management services	52,717	49.6	53,335	41.2	52,931	45.6
Total	106,387	100.0	129,316	100.0	116,146	100.0

Provision of construction services

Our construction services represented provision of pipeline connecting construction services to our customers which ownership of the constructed assets (ie. gas pipeline) belongs to our customers. Revenue from the provision of construction services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because our performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining goods or services promised under the contract. Our revenue from provision of construction services amounted to RMB53.7 million, RMB76.0 million and RMB63.2 million for FY2017, FY2018 and FY2019, respectively.

Provision of installation and management services

Provision of installation and management services represented provision of such services to our customers which the constructed assets, i.e. the gas pipelines, were accounted for as our property, plant and equipment. Revenue from the provision of installation and management services of gas pipelines is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by our Group. Our revenue from provision of installation and management services amounted to RMB52.7 million, RMB53.3 million and RMB52.9 million for FY2017, FY2018 and FY2019, respectively.

We receive fees from customers in advance in exchange for the provision of installation and management services of gas pipelines to the urban natural gas pipeline network. These receipt in advance are recognised as contract liabilities in our statement of financial position and amortised as our revenue on a straight-line basis. We determine the estimated amortisation period of 15 years on a straight-line basis for our revenue recognition. This estimate is based on our historical experience of the actual service period.

These contracts include payment schedules which require staged payments over the installation period once certain specified milestones are reached and usually require the customers to make upfront payments before installation services commence, and it gives rise to the contract liabilities. The contract liabilities was amortised over the contract terms, i.e. 15 years and was recognised as revenue from installation business. The construction costs incurred for gas pipelines, which were capitalised for as our property, plant and equipment, are also depreciated over 20 years and recognised as our cost of sales in the respective years.

Our revenue from construction and installation business amounted to RMB106.4 million, RMB129.3 million and RMB116.1 million for FY2017, FY2018 and FY2019, respectively, representing 12.0%, 10.2% and 8.7% of our total revenue (before government surcharges) for the respective year. Our revenue from construction and installation business is mainly susceptible to the number and size of projects we undertake. From FY2017 to FY2018, our revenue from construction and installation business increased primarily due to (i) the increase in number of construction projects completed; (ii) increase in revenue from installation services arising from installation projects completed in previous years but were still within the 15-year amortisation period; and (iii) the larger contract sum of the projects completed as we secured projects for certain commercial complex since FY2017. Our revenue from construction and installation business decreased from RMB129.3 million in FY2018 to RMB116.1 million in FY2019 primarily due to the decrease in number of projects we completed in FY2019 compared to those in FY2018 as a result of the gradual completion of the projects in the existing area. For FY2017, FY2018 and FY2019, we completed 424, 538 and 452 construction and installation projects, respectively.

Others

Others include revenue from provision of gas transportation services, sales of vapour and construction materials and leasing of properties. The following table sets forth the revenue breakdown by nature during the Track Record Period:

	FY2017		**FY2018**		**FY2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue from:						
Provision of gas transportation services	9,084	21.1	7,411	15.1	5,907	11.7
Gross rental Income	11,818	27.5	13,604	27.7	12,959	25.8
Sales of construction materials	14,641	34.1	9,381	19.1	10,280	20.4
Sales of vapour	7,379	17.2	18,708	38.0	21,054	41.8
Others	67	0.1	56	0.1	113	0.3
Total	42,989	100.0	49,160	100.0	50,313	100.0

Provision of natural gas transportation services

During the Track Record Period, we also provide transportation of natural gas (including LNG) services. Under framework transportation services agreements, we transport natural gas with our own tankers that are operated by our staff from specified natural gas receiving stations or natural gas suppliers to the natural gas stations or storage stations operated by our customers. We communicate with our customers on daily basis to confirm their transportation plans and the availability of our vehicles. We generally determine transportation fee based on the amount of natural gas transferred individual by measurement result generated at the natural gas receiving stations or natural gas suppliers facilities from which we start shipping. The transportation fee rate generally follows market pricing, subject to negotiation between both parties in the form of confirmation letters.

Our revenue from provision of natural gas transportation services amounted to RMB9.1 million, RMB7.4 million and RMB5.9 million for FY2017, FY2018 and FY2019, respectively, representing 1.0%, 0.6% and 0.4% of our total revenue (before government surcharges) for the respective years.

Leasing of properties

During the Track Record Period, we earned rental income from leasing our (i) investment properties mainly consisted of commercial premises in Jiaxing to Independent Third Parties and connected persons of our Company; and (ii) land to a connected person. Our gross rental income amounted to RMB11.8 million, RMB13.6 million and RMB13.0 million for FY2017, FY2018 and FY2019, respectively, representing 1.3%, 1.1% and 1.0% of our total revenue (before government surcharges) for the respective years. Our gross rental income is generally affected by the total gross floor area leased out in each financial year. Our rental income increased in FY2018 primarily resulting from the substantial increase in properties leased out in second half in FY2017. Our revenue from leasing of properties remained relatively stable at RMB13.0 million in FY2019.

Sales of vapour

Our revenue from sales of vapour amounted to RMB7.4 million, RMB18.7 million and RMB21.1 million for FY2017, FY2018 and FY2019, respectively. We commenced the sales of vapour in August 2017 subsequent to completion of the construction of relevant equipment. Thus, our revenue increased significantly in FY2018 due to the full-year effect of sales of vapour. Our revenue from sales of vapour then further increased to RMB21.1 million in FY2019 primarily due to the increase in consumption from our industrial customers.

Sales of construction materials

Ancillary to our construction projects, we also sold construction materials to pipeline construction companies. For FY2017, FY2018 and FY2019, our revenue from sales of construction materials amounted to RMB14.6 million, RMB9.4 million and RMB10.3 million, representing 1.6%, 0.7% and 0.8% of our total revenue (before government surcharges) for the respective years.

Cost of sales and services

Our cost of sales comprised cost of purchase of gas, construction costs for gas supply infrastructure, depreciation, staff costs, cost of construction material and others.

The following table sets forth, during the Track Record Period, a breakdown of our cost of sales and services by nature:

	FY2017		FY2018		FY2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of gas sold	591,143	80.8	914,685	84.0	964,827	85.1
Cost of vapour sold	5,657	0.7	15,113	1.4	15,421	1.4
Cost of construction materials sold	11,047	1.5	6,885	0.6	7,711	0.7
Depreciation	44,304	6.0	47,270	4.4	48,258	4.3
Provision of construction and installation services	39,264	5.4	59,325	5.5	49,877	4.4
Direct labour	21,870	3.0	28,713	2.6	30,584	2.7
Rendering of transport services	5,776	0.8	2,438	0.2	3,198	0.3
Repair and maintenance of PNG pipelines	12,922	1.8	14,096	1.3	13,391	1.1
	731,983	100.0	1,088,525	100.0	1,133,267	100.0

Our cost of sales amounted to RMB732.0 million, RMB1,088.5 million and RMB1,133.3 million, respectively, for FY2017, FY2018 and FY2019.

Our cost of gas sold, represented cost of PNG, LNG and LPG sold, is our main cost of sales, representing 80.8%, 84.0% and 85.1% of our total cost of sales for FY2017, FY2018 and FY2019, respectively.

Our cost of gas sold increased throughout the Track Record Period primarily due to the increase in total sales volume. Our avenge per unit cost of purchase of PNG and LNG remained relatively stable from FY2017 to FY2018, while the average cost of PNG and LNG sold increased in FY2019, compared to that of FY2018, primarily due to the general increase in per unit purchase price.

Our depreciation recorded in our cost of sales primarily represented the depreciation of our gas pipelines. Such depreciation increased from FY2017 to FY2018 generally due to the additions of gas pipelines in Jiaxing. Such depreciation remained relatively stable in FY2018 and FY2019.

Our cost of provision of construction and installation services increased from FY2017 to FY2018 and decreased from FY2018 to FY2019, which was generally in line with the fluctuation in such revenue.

The following table sets out the breakdown of our cost of sales by sources of our revenue during the Track Record Period:

	FY2017		**FY2018**		**FY2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Gas						
– *PNG*	611,119	83.5	903,776	83.0	979,055	86.4
– *LNG*	4,990	0.7	10,642	1.0	7,728	0.7
– *LPG*	41,113	5.6	75,744	7.0	61,587	5.4
Sub-total	657,222	89.8	990,162	91.0	1,048,370	92.5
Provision of construction and installation services	43,367	5.9	63,041	5.8	49,877	4.4
Others(Note)	31,394	4.3	35,322	3.2	35,020	3.1
	731,983	100.0	1,088,525	100.0	1,133,267	100.0

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by sources of our revenue and by type of users for sales of PNG during the Track Record Period:

	FY2017		FY2018		FY2019	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By sources of our revenue						
Sales of gas						
– *PNG*	75,697	11.0	81,812	8.3	102,834	9.5
– *LNG*	801	13.8	2,959	21.8	4,134	34.9
– *LPG*	6,936	14.4	12,063	13.7	13,967	18.5
Sub-total	83,434	11.3	96,834	8.9	120,935	10.3
Provision of construction and installation services	63,020	59.2	66,275	51.3	66,269	57.1
Others	11,595	27.0	13,838	28.1	15,293	30.4
Total (before government surcharges)	158,049	17.8	176,947	14.0	202,497	15.2
Less: government surcharges	(6,428)		(6,690)		(5,432)	
Total/overall	151,621	17.2	170,257	13.5	197,065	14.8

	FY2017				**FY2018**				**FY2019**			
	Gross profit	**Gross profit margin**	**Per unit purchase price**	**Per unit selling price**	**Gross profit**	**Gross profit margin**	**Per unit purchase price**	**Per unit selling price**	**Gross profit**	**Gross profit margin**	**Per unit purchase price**	**Per unit selling price**
	RMB'000	*%*	*RMB/m³*	*RMB/m³*	*RMB'000*	*%*	*RMB/m³*	*RMB/m³*	*RMB'000*	*%*	*RMB/m³*	*RMB/m³*
Sales of PNG by type of users												
Residential users	16,497	16.9	2.33	2.80	14,717	12.6	2.44	2.79	4,428	3.4	2.71	2.81
Industrial users	41,789	8.3	2.33	2.54	48,938	6.4	2.39	2.55	78,900	9.4	2.67	2.95
Commercial users	17,411	20.0	2.32	2.90	18,157	18.0	2.45	2.98	19,506	17.2	2.71	3.28
	75,697	11.0			81,812	8.3			102,834	9.5		

For FY2017, FY2018 and FY2019, our gross profit amounted to RMB151.6 million, RMB170.3 million and RMB197.1 million, respectively. The gross profit margin was 17.2%, 13.5% and 14.8% during the respective years.

The decrease in our gross profit margin from 17.2% in FY2017 to 13.5% in FY2018 was mainly attributable to our (i) decrease in gross profit margin from sales of PNG which was mainly due to (a) the increase in unit purchase price of PNG whilst our average selling price remained relatively stable; and (b) increase of revenue contribution from sales of PNG to industrial users which has lower gross profit margin compared to residential users; and (ii) increase in construction services for infrastructure which attained a relatively lower gross profit margin.

Our gross profit margin increased from 13.5% in FY2018 to 14.8% in FY2019 primarily due to (i) increase in gross profit margin from our sales of gas mainly due to the larger extent of the increase in selling price to our industrial users of PNG and commercial users of LNG than the increase of unit purchase price following the increase in selling price to non-residential users in FY2019 pursuant to the Notice on the Adjustment of Non-residential Usage Natural Gas Prices (《關於調整非居民用天然氣價格有關事項的通知》嘉發改物[2018]344號) issued by the Jiaxing Development and Reform Commission in December 2018, leading to a higher gross profit margin attributable to these customers; and (ii) increase in gross profit margin from our construction services because majority of the construction services for infrastructure which attained a relatively lower gross profit margin were substantially completed in FY2018. Our gross profit margin attained from the sales of PNG to residential users was relatively lower at 3.4% in FY2019 primarily due to the increase in per unit cost of PNG purchased from RMB2.44 per m^3 in FY2018 to RMB2.71 per m^3 in FY2019 whilst the average selling prices of PNG sold to residential users was relatively stable at RMB2.79 per m^3 and RMB2.81 per m^3 in FY2018 and FY2019.

Other income and gains

Other income and gains mainly represents interest income from bank deposits and related parties, dividend received from financial assets at fair value through profit or loss, gain on disposal of subsidiaries and gain on disposal of items of property, plant and equipment.

The following table sets forth a breakdown of other income and gains during the Track Record Period:

	FY2017	**FY2018**	**FY2019**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	874	486	620
Interest income from related parties	2,963	171	90
Government grants(1)	286	326	69
Interest income from financial assets at fair value through profit or loss	1	69	130
Dividends received from financial assets at fair value through profit or loss	113	135	113
Others(2)	202	1,069	276
	4,439	2,256	1,298
Gains			
Gain on disposal of items of property, plant and equipment	1,071	–	–
	1,071	–	–
Total	5,510	2,256	1,298

Notes:

(1) The government grants were one-off in nature and are recognised when received. There were no unfulfilled conditions or contingencies relating to these subsidies that were included in our consolidated statements of profit or loss.

(2) Others was relatively higher in FY2018 primarily due to the other income received from Gas and Refuelling Station, a related party of our Group. In December 2018, Gas and Refuelling Station decided to terminate the rental agreement with a subsidiary of our Group as a result of the cessation of its business in the area, and a penalty income amounted to RMB1.0 million in accordance with the rental agreement was recorded.

Other income and gains amounted to RMB5.5 million, RMB2.3 million and RMB1.3 million, respectively, for FY2017, FY2018 and FY2019.

Interest income from related parties

In FY2017, we had loan arrangement with Hangjiaxin, with the interest rate at a range of 4.785% to 6% per annum in FY2017 and at interest rate of 5.22% per annum in FY2018, for the purpose of their operations. Such loan had been fully settled in FY2018. We may provide shareholder's loan to Hangjiaxin subject to its funding requirement for its capital expenditure in the future. Detail terms of any loan will be further negotiated if necessary.

Selling and distribution expenses

Selling and distribution expenses primarily comprised of employee benefit expenses such as staff costs and welfare, service fee, depreciation and amortisation, promotion expenses and office expenses.

The following table sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	FY2017		**FY2018**		**FY2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	8,388	43.3	11,156	49.4	10,878	49.7
Service fee	6,173	31.9	6,369	28.2	7,354	33.6
Office expenses	4,296	22.2	4,058	18.0	3,410	15.6
Others	501	2.6	982	4.4	236	1.1
Total	19,358	100.0	22,565	100.0	21,878	100.0

Selling and distribution expenses amounted to RMB19.4 million, RMB22.6 million and RMB21.9 million for FY2017, FY2018 and FY2019, respectively. As a percentage of total revenue, our selling and distribution expenses accounted for 2.2%, 1.8% and 1.7% during the respective years.

Service fee represented the fees paid to Independent Third Party for recording meters records.

Administrative expenses

Administrative expenses primarily comprise staff costs and welfare, depreciation and amortisation, office expenses, travelling and entertainment expenses and utility expenses.

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2017		FY2018		FY2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	18,779	50.1	18,973	45.3	21,119	49.0
Depreciation and amortisation	8,715	23.3	10,209	24.4	11,006	25.5
Office expenses	6,771	18.1	8,557	20.4	8,488	19.7
Travelling and entertainment expenses	1,610	4.3	2,530	6.0	1,298	3.0
Others	1,595	4.2	1,599	3.9	1,186	2.8
Total	37,470	100.0	41,868	100.0	43,097	100.0

Administrative expenses amounted to RMB37.5 million, RMB41.9 million and RMB43.1 million for FY2017, FY2018 and FY2019, respectively. As a percentage of total revenue, our administrative expenses accounted for 4.2%, 3.3% and 3.3% during the respective years. Our administrative expenses was relatively lower in FY2017 primarily due to decrease in employee benefit expenses and office expenses primarily due to the decrease in total headcounts following the disposal of subsidiaries for non-gas operation business.

Our employee benefit expenses was relatively higher in FY2019 primarily due to the increase in headcounts and their salaries.

Office expenses recorded in our administrative expenses primarily represented rental expenses, professional fees for our operations, repair and maintenance expenses and motor vehicle expenses.

Depreciation and amortisation recorded in administrative expenses primarily arising from our office building, warehouses and staff dormitory.

Impairment losses on financial and contract assets, net

We provide impairment losses to our trade receivables and certain contract assets of RMB1.1 million in FY2017. We recorded net reversal of the impairment losses of RMB1.0 million and RMB60,000 in FY2018 and FY2019, respectively.

We assess whether there are any indicators of impairment for all financial assets at the end of each reporting period during the Track Record Period or whenever impairment indicators exist. 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.

Other expenses

Other expenses primarily comprise the provision made in respect of the potential penalty relating to our non-compliance and fair value loss on financial assets at fair value through profit or loss. Other expenses amounted to RMB0.3 million, RMB4.2 million and RMB3.9 million for FY2017, FY2018 and FY2019, respectively.

Our other expenses was relatively higher in FY2018 and in FY2019 primarily due to the fair value loss arising from our equity investment in unlisted which was measured using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. See Note 39 of the Accountants' Report contained in Appendix I to this prospectus for details of the investment.

Finance costs

Finance costs represented interest on our interest-bearing bank borrowings and interest expenses on our leases liabilities. Excluding the interest capitalised to our construction in progress, finance costs charged to our profit or loss amounted to RMB22.8 million, RMB17.9 million and RMB19.3 million for FY2017, FY2018 and FY2019, respectively.

The following table sets forth our breakdown on finance costs during the Track Record Period:

	FY2017	FY2018	FY2019
	RMB'000	*RMB'000*	*RMB'000*
Interest on interest-bearing bank borrowings wholly repayable within five years	14,652	9,455	9,924
Interest expense on leases liabilities	9,531	9,181	9,850
Total interest expense on financial liabilities not at fair value through profit or loss	24,183	18,636	19,774
Less: Interest capitalised	(1,388)	(786)	(513)
	22,795	17,850	19,261

Our finance costs were relatively higher in FY2017 primarily attributable to the higher interest on interest-bearing bank borrowings resulting from relatively higher average monthly bank borrowings balances during 2017 as compared to 2018.

Share of profit or losses of joint ventures/associates

Our share of results of joint ventures and associates represented share of post-acquisition profits and other comprehensive income, net of dividend received and receivables from them. The following table sets forth our breakdown on share of profits and losses of our joint ventures and associates during the Track Record Period:

	FY2017	FY2018	FY2019
	RMB'000	*RMB'000*	*RMB'000*
Share of profits/(losses)			
Joint ventures	2,624	(472)	(3,110)
Associates	4,979	9,030	10,163

We recorded share of profits of joint ventures of RMB2.6 million in FY2017, and share of losses from them of RMB0.5 million and RMB3.1 million in FY2018 and FY2019, respectively. Our share of profits of associates amounted to RMB5.0 million, RMB9.0 million and RMB10.2 million in FY2017, FY2018 and FY2019, respectively.

During the Track Record Period, our joint ventures included Hangjiaxin, Jiaxing Gas and Refuelling Station Co., Ltd.* (嘉興市加油加氣站有限公司) ("**Gas and Refuelling Station**") and Zhejiang Wuchan Huanneng Wutong Clean Energy Co., Ltd.* (浙江物產環能物通清潔能源有限公司) ("**ZJMI**"), of which ZJMI was dissolved during FY2017 and Hangjiaxin was established in the second half of 2017. Our share of results of joint venture was primarily contributed by share of profits of Gas and Refuelling Station while Hangjiaxin contributed loss since its establishment as it was still under initial stage of investment and development. We plan to finance the operation of Hangjiaxin through a combination of our cash from operations, banking facilities available to us and proceeds from the Global Offering in the future.

During the Track Record Period, our associates included Pinghu Natural Gas Co., Ltd.* (平湖市天然氣有限公司) ("**Pinghu Natural Gas**"), Jiaxing Jiatong New Energy Co., Ltd.* (嘉興市嘉通新能源股份有限公司), and Jiaxing LPG Co., Ltd.* (嘉興市管道液化氣有限責任公司) ("**Jiaxing LPG**"). Our share of results of associates was primarily contributed by share of profits of Pinghu Natural Gas which is principally engaged in natural gas supply business and pipeline construction business outside the Concession Area in Jiaxing during the Track Record Period.

See Notes 17 and 18 to Accountants' Report in Appendix I to this prospectus for details.

Income tax expense

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

PRC enterprise income tax

The provision for China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of our 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**").

Our income tax expense was RMB19.4 million, RMB22.3 million and RMB28.0 million for FY2017, FY2018 and FY2019, respectively and representing the effective tax rate of approximately 23.1%, 23.3% and 23.8%, respectively, which was relatively stable.

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

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2019 compared to FY2018

Revenue

Our revenue increased by RMB71.6 million or 5.7% from RMB1,258.8 million in FY2018 to RMB1,330.3 million in FY2019 mainly as a result of increase in revenue from sales of gas by RMB82.3 million. The increase in revenue was partially offset by the decrease in revenue from the provision of construction and installation services of RMB13.2 million.

Sales of gas

Our revenue from sales of gas increased by RMB82.3 million from RMB1,087.0 million in FY2018 to RMB1,169.3 million in FY2019 primarily due to the increase in revenue from sales of PNG of RMB96.3 million partially offset by the decrease in sales of LPG of RMB12.3 million.

Our increase in revenue from sales of PNG was primarily attributable to (i) increase in sales of PNG to our industrial users by RMB68.4 million as a result of increase in per unit average selling price to our industrial users from RMB2.55 per m^3 in FY2018 to RMB2.95 per m^3 in FY2019 primarily due to the general increase in per unit purchase price of PNG pursuant to the pricing policy in Jiaxing released in November 2018 as disclosed above. Such increase was partially offset by the decrease in total sales volume as certain of our industrial customers chose to consume alternative resources instead of PNG; and (ii) increase in sales of PNG to our residential users by RMB15.4 million mainly due to the increase in total sales volume resulting from increase in number of users attributable to the growth of demand of natural gas associated with the continued economic development in Jiaxing.

Our sales of LPG decreased from RMB87.8 million in FY2018 to RMB75.6 million in FY2019 primarily due to the decrease in total sales volume by approximately 2,091 tonnes in FY2019 mainly resulting from the decrease in demand in LPG due to the fact that it is less environmental friendly compared with the PNG. Our average selling price of LPG decreased from RMB4,520/ton in FY2018 to RMB4,359/ton in FY2019 following the decrease in cost of purchase.

Our sales of LNG decreased from RMB13.6 million in FY2018 to RMB11.9 million in FY2019 primarily due to the decrease in total volume sold from 3.7 million m^3 in FY2018 to 3.3 million m^3 in FY2019.

Provision of construction and installation services

Our revenue from provision of construction and installation services decreased by RMB13.2 million from RMB129.3 million in FY2018 to RMB116.1 million in FY2019 primarily due to the decrease in value of works completed in FY2019 resulting from a decrease in the number of projects completed in FY2019 compared to that in FY2018.

Cost of sales and services

Cost of sales and services increased by RMB44.8 million or 4.1% from RMB1,088.5 million in FY2018 to RMB1,133.3 million for FY2019. Such increase was generally due to our revenue growth of 5.7% in FY2019 as a result of our business expansion.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB26.8 million or 15.7% from RMB170.3 million in FY2018 to RMB197.1 million in FY2019. Our gross profit margin increased from 13.5% in FY2018 to 14.8% in FY2019, which was mainly due to (i) increase in gross profit margin from sales of PNG resulting from increase in unit selling price to our industrial users; and (ii) increase in gross profit margin from provision of construction and installation services as we have completed those large-scale projects, such as construction of infrastructure, which attained lower gross profit margin in FY2018.

Other income and gains

Other income and gains decreased by RMB1.0 million or 42.5% from RMB2.3 million in FY2018 to RMB1.3 million in FY2019. The decrease in other income and gains was mainly due to the decrease in others of RMB0.8 million primarily resulting from the absence of the other income received in relation to the termination of rental agreement. See "Description of Selected Items in Consolidated Statements of Profit or Loss – Other income and gains" in this section for details.

Selling and distribution expenses

Selling and distribution expenses remained relatively stable at RMB22.6 million in FY2018 and RMB21.9 million in FY2019.

Administrative expenses

Administrative expenses increased by RMB1.2 million or 2.9% from RMB41.9 million in FY2018 to RMB43.1 million in FY2019. The increase was primarily due to the increase in employee benefit expenses of RMB2.1 million mainly resulting from the increase in headcounts and salaries in FY2019.

Other expenses

Other expenses decreased by RMB0.3 million or 6.7% from RMB4.2 million in FY2018 to RMB3.9 million in FY2019. The decrease was primarily due to decrease in fair value loss from unlisted equity instruments in FY2019.

Finance costs

Finance costs remained relatively stable at RMB17.9 million and RMB19.3 million in FY2018 and FY2019, respectively.

Share of loss of joint ventures

We shared loss of joint ventures of RMB0.5 million in FY2018 and RMB3.1 million in FY2019. Such increase in loss we shared was primarily due to (i) increase in share of loss of RMB1.8 million from Hangjiaxin in FY2019 attributable to the loss incurred at its early stage of establishment; and (ii) decrease in share of profits from Gas and Refuelling Station of RMB0.8 million resulting from decrease in revenue from sales of gas.

Share of profit and loss of associates

Our share of profit of associates increased from RMB9.0 million in FY2018 to RMB10.2 million in FY2019. Such increase was primarily due to increase in share of profits from Pinghu Natural Gas of RMB0.4 million in FY2019 and the increase in the share of profits from Jiaxing Jiatong New Energy Co., Ltd* (嘉興市嘉通新能源股份有限公司) of RMB0.7 million in FY2019 from a share of loss of RMB0.1 million in FY2018 resulting from its business expansion.

Income tax expense

Income tax expense increased by RMB5.7 million or 25.4% from RMB22.3 million in FY2018 to RMB28.0 million in FY2019 primarily due to the increase in profit before tax. Our effective tax rate remained relatively stable at 23.3% in FY2018 and 23.8% in FY2019.

Profit for the year

As a result of the foregoing, profit for the year increased by RMB16.1 million or 22.0% from RMB73.3 million in FY2018 to RMB89.4 million in FY2019. Our net profit margin increased from 5.8% in FY2018 to 6.7% in FY2019, which was mainly due to increase in gross profit margin as disclosed above.

FY2018 compared to FY2017

Revenue

Our revenue increased by RMB375.2 million or 42.5% from RMB883.6 million in FY2017 to RMB1,258.8 million in FY2018 mainly as a result of increase in revenue from (i) sales of gas by RMB346.3 million; and (ii) provision of construction and installation services by RMB22.9 million.

Sales of gas

Our revenue from sales of gas increased by RMB346.3 million from RMB740.7 million in FY2017 to RMB1,087.0 million in FY2018 primarily due to increase in revenue from (i) sales of PNG of RMB298.8 million; (ii) sales of LPG of RMB39.8 million; and (iii) sales of LNG of RMB7.8 million.

Our increase in revenue from sales of PNG was primarily attributable to (i) increase in sales of PNG to our industrial users by RMB266.3 million as a result of increase in number of users, in particular certain major customers with large volume of consumption, reflected by the increase in sales volume from 197.5 million m^3 sold in FY2017 to 301.0 million m^3 sold to industrial customers in FY2018; and (ii) increase in sales of PNG to residential users by RMB18.8 million mainly resulted from the continued economic development in Jiaxing, reflected by the increase in users. Our average per unit selling price of PNG remained relatively stable at RMB2.62 per m^3 in both FY2017 and FY2018.

Our increase in revenue from sales of LNG was primarily driven by the increase in the number of users reflected by the increase in sales volume from 1.8 million m^3 sold in FY2017 to 3.7 million m^3 sold resulting from increase in commercial customers in FY2018.

Our revenue from sales of LPG increased from RMB48.0 million in FY2017 to RMB87.8 million in FY2018 primarily due to (i) the increase in selling price of LPG per tonne sold in FY2018 compared to FY2017; and (ii) additions of new customers with large volume of consumption during FY2018.

Provision of construction and installation services

Our revenue from provision of construction and installation services increased by RMB22.9 million from RMB106.4 million in FY2017 to RMB129.3 million in FY2018 primarily due to the increase in value of works completed in FY2018. Our number of projects completed increased from 424 projects in FY2017 to 538 projects in FY2018, including certain larger scale projects such as commercial complexes and malls in FY2018.

Others

Our revenue from others increased by RMB6.2 million from RMB43.0 million in FY2017 to RMB49.2 million in FY2018 primarily due to increase in revenue from sales of vapour of RMB11.3 million mainly attributable to additions of certain major customers with large volume of consumption during FY2018. The increase in revenue from others was partially offset by the decrease in revenue from sales of construction materials by RMB5.3 million as we kept more of such materials for our own construction given our increase in number of construction projects in FY2018.

Cost of sales and services

Cost of sales and services increased by RMB356.5 million or 48.7% from RMB732.0 million in FY2017 to RMB1,088.5 million for FY2018. Such increase was mainly due to our business growth and in line with our revenue growth of 42.5% for the same year. Our costs of gas increased in FY2018 mainly due to (i) the increase in unit purchase price of PNG from RMB2.06/m^3 in FY2017 to RMB2.17/m^3 in FY2018 following the upward price adjustment in FY2018 by the relevant government authorities; and (ii) the increase in the total volume of gas sold.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB18.7 million or 12.3% from RMB151.6 million in FY2017 to RMB170.3 million in FY2018. Our gross profit margin decreased from 17.2% in FY2017 to 13.5% in FY2018, which was mainly due to (i) decrease in gross profit margin from sales of PNG resulting from increase in per unit purchase price while our overall average selling price remained stable at RMB2.62/m^3 in both FY2017 and FY2018 which is caused by the general time gap between the adjustment of purchase and selling tariff by the local government authority and more purchase discounts were offered to our certain industrial customers with large consumption; and (ii) slight decrease in gross profit margin from construction contracts for certain construction of infrastructure which attained a relatively lower profit margin as these projects are usually of larger contract sums that we are willing to offer a more competitive price and accept a lower margin so as to maintain a good relationship with these customers and attract similar projects in the future.

Other income and gains

Other income and gains decreased by RMB3.2 million or 58.2% from RMB5.5 million in FY2017 to RMB2.3 million in FY2018. The decrease in other income was mainly due to decrease in interest income from interest-bearing advances to related parties of RMB2.8 million as a result of settlement in FY2017.

Selling and distribution expenses

Selling and distribution expenses increased by RMB3.2 million or 16.5% from RMB19.4 million in FY2017 to RMB22.6 million in FY2018 primarily due to increase in employee benefit expenses of RMB2.8 million resulting from increase in (i) headcounts in customer service function and marketing department following our expansion of business; and (ii) increase in bonus to our staff in sales function resulting from increase in sales volume of PNG.

Administrative expenses

Administrative expenses increased by RMB4.4 million or 11.7% from RMB37.5 million in FY2017 to RMB41.9 million in FY2018. The increase was primarily due to increase in depreciation charges and amortisation of RMB1.5 million mainly due to additions in our property, plant and equipment and transfer of items from construction in progress to property, plant and equipment in FY2018 and office expenses of RMB1.8 million which was generally in line with our business growth.

Other expenses

Other expenses increased by RMB3.9 million or 1,300.0% from RMB0.3 million in FY2017 to RMB4.2 million in FY2018. The increase was primarily due to increase in fair value loss from listed equity instruments in FY2018.

Finance costs

Finance costs decreased by RMB4.9 million from RMB22.8 million in FY2017 to RMB17.9 million in FY2018. The decrease was mainly due to decrease in interest expenses for bank borrowings in FY2018 as a result of decrease in average monthly balance of bank borrowings being drawn down as compared to that in FY2017.

Share of profit and loss of joint ventures

We shared profit of joint ventures of RMB2.6 million in FY2017 and losses of joint ventures of RMB0.5 million in FY2018. Such change was primarily due to (i) the share of loss of RMB1.9 million from Hangjiaxin in FY2018 due to the pre-operation costs incurred since its incorporation in the second half of FY2017; and (ii) decrease in share of profits from Gas and Refuelling Station of RMB1.2 million resulting from decrease in revenue from it attributable to the decrease in its total sales volume.

Share of profit and loss of associates

Our share of profit of associates increased from RMB5.0 million in FY2017 to RMB9.0 million in FY2018. Such increase was primarily due to increase in the share of profits of RMB4.0 million from Pinghu Natural Gas in FY2018 mainly due to the increase in its revenue from sales of natural gas.

Income tax expense

Income tax expense increased by RMB2.9 million or 14.9% from RMB19.4 million in FY2017 to RMB22.3 million in FY2018 primarily due to the increase in profit before tax. Our effective tax rate remains relatively stable and slightly increased from 23.1% in FY2017 to 23.3% in FY2018.

Profit for the year

As a result of the foregoing, profit for the year increased from RMB64.3 million in FY2017 to RMB73.3 million in FY2018. Our net profit margin decreased from 7.3% for FY2017 to 5.8% for FY2018 which was mainly due to decrease in gross profit margin as disclosed above.

SUMMARY OF ASSETS AND LIABILITIES

The following table sets out our consolidated statement of financial position as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	511,732	502,914	482,910
Investment properties	222,205	216,330	218,061
Other intangible assets	450	1,696	2,415
Financial assets at fair value through profit or loss	–	16,880	14,763
Investments in joint ventures	104,261	167,139	161,929
Investments in associates	15,518	20,296	11,175
Deferred tax assets	151,924	149,871	150,710
Right-of-use assets	136,649	128,785	130,434
Other non-current assets	32,713	14,605	14,450
Total non-current assets	1,175,452	1,218,516	1,186,847
CURRENT ASSETS			
Inventories	4,852	7,740	8,314
Trade and bills receivables	34,172	39,568	49,125
Contract assets	177	381	1,224
Prepayments, other receivables and other assets	33,854	20,298	36,545
Financial assets at fair value through profit or loss	3,047	2,772	2,476
Pledged deposits	7,276	5,257	7,092
Cash and cash equivalents	51,297	86,242	63,146
Total current assets	134,675	162,258	167,922
CURRENT LIABILITIES			
Trade and bills payables	107,932	114,198	100,385
Other payables and accruals	78,023	67,527	64,154
Contract liabilities	75,132	77,188	85,347
Interest-bearing bank borrowings	167,500	213,000	173,400
Tax payable	10,970	4,848	10,558
Lease liabilities	24,700	18,468	9,831
Total current liabilities	464,257	495,229	443,675
NET CURRENT LIABILITIES	(329,582)	(332,971)	(275,753)
TOTAL ASSETS LESS CURRENT LIABILITIES	845,870	885,545	911,094

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES			
Contract liabilities	404,021	390,920	379,984
Interest-bearing bank borrowings	11,000	–	20,000
Lease liabilities	165,451	156,603	154,281
Total non-current liabilities	580,472	547,523	554,265
NET ASSETS	265,398	338,022	356,829
EQUITY			
Equity attributable to owners of the parent			
Share capital	100,000	100,000	100,000
Reserves	153,778	224,120	241,018
	253,778	324,120	341,018
Non-controlling interests	11,620	13,902	15,811
Total equity	265,398	338,022	356,829

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment depreciation

During the Track Record Period, our property, plant and equipment mainly consisted of gas pipelines for our gas operations, buildings in the PRC, plant and machinery and construction in progress. Our property, plant and equipment amounted to RMB511.7 million, RMB502.9 million and RMB482.9 million as at 31 December 2017, 2018 and 2019, respectively.

The property, plant and equipment decreased from RMB511.7 million as at 31 December 2017 to RMB502.9 million as at 31 December 2018 mainly due to the combined effect of additions of RMB34.5 million, primarily the additions of construction in progress of RMB31.2 million for our gas pipelines and net depreciation charge of RMB42.6 million. The property, plant and equipment decreased to RMB482.9 million as at 31 December 2019 mainly due to net depreciation charge of RMB43.0 million partially offset by the additions of RMB33.3 million, primarily represented by our construction in progress.

Property, plant and equipment, other than construction in progress, 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	15-50 years
Gas pipelines	20 years
Plant and machinery	3-15 years
Motor vehicles	4-10 years
Furniture and office equipment	3-5 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.

Investment properties

Investment properties represented mainly comprised of commercial properties in Jiaxing, office building, hotel and shops leased to third parties and connected persons under operating leases for generating rental income. Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Our investment properties amounted to RMB222.2 million, RMB216.3 million and RMB218.1 million as at 31 December 2017, 2018 and 2019, respectively. Our investment properties decreased from RMB222.2 million as at 31 December 2017 to RMB216.3 million as at 31 December 2018 primarily due to depreciation charge of RMB6.6 million during the year. Our investment properties increased to RMB218.1 million as at 31 December 2019 mainly due to addition of RMB9.5 million transfered from property plant and equipment, resulted from our change of intention of the property usage to lease purpose and partially offset by the depreciation of RMB6.9 million charged during the year.

Right-of-use assets

We have consistently adopted IFRS 16 throughout the Track Record Period. Our leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our consolidated statements of financial position. We recognised right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset is available for use), except for short-term leases and leases of low value assets (being amount insignificant to our Group during the Track Record Period) which were recognised in our property related expenses.

Our right-of-use assets included (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs we incurred; and (iv) an estimate of the costs to be incurred by us in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

As at 31 December 2017, 2018 and 2019, our right-of-use assets represented operating lease arrangements for payments for interest in leasehold land, buildings, plant and machinery primarily represented the pipeline leased from Jiaxing Pipeline Company. Our right-of-use assets decreased from RMB136.6 million as at 31 December 2017 to RMB128.8 million as at 31 December 2018 primarily due to the depreciation of RMB7.8 million. Our right-of-use asset remained relatively stable at RMB130.4 million as at 31 December 2019.

Deferred tax assets

Our deferred tax assets were primarily arisen from temporary difference from impairment of financial assets, contract liabilities and accruals and provisions. Deferred tax assets are recognised for all deductible temporary differences, 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 carry forward of unused tax credits and unused tax losses can be utilised, except: (i) 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 (ii) in respect to deductible temporary differences associated with investments in subsidiaries and associates, 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.

Our deferred tax assets remained relatively stable at RMB151.9 million, RMB149.9 million and RMB150.7 million as at 31 December 2017, 2018 and 2019. There are no deferred tax assets that have not been recognised as at the end of 31 December 2017, 2018 and 2019.

The deferred tax assets arising from the impairment of financial assets mainly comprised of impairment of accounts receivables and other receivables; the deferred tax assets arising from contract liabilities mainly comprised of advances received from customers for construction and installation services; and the deferred tax assets arising from accruals and provisions mainly comprised of other assets and liabilities which have temporary differences between the carrying amounts and the tax bases. Such temporary differences are mainly resulted from (i) accounting estimation being made in our financial statement including impairment loss on financial assets and accounting receivables in accordance with the relevant and applicable accounting framework which are only tax deductible when the losses are realised; and (ii) timing difference between recognition of revenue and expense and the actual receipt or payment of cash, such as the cash receipt in advance by the Group being taxed where the corresponding revenue can only be recognised on accrual basis in accordance with the relevant and applicable accounting framework. The Directors are of the opinion that sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

Inventories

Our inventories consisted of construction materials and gas. The following table sets forth a summary of our inventory balances as at the date indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Construction materials	3,296	5,030	5,701
Natural gas (PNG and LNG)	907	1,966	2,167
LPG	649	744	446
	4,852	7,740	8,314

Due to the nature of gas, we only maintain a very small amount of gas reserve. Thus, our balance of gas (being balance of natural gas and LPG) remained relatively low at RMB1.6 million, RMB2.7 million and RMB2.6 million as at 31 December 2017, 2018 and 2019, respectively. Our balance of inventories increased from RMB4.9 million as at 31 December 2017 to RMB7.7 million as at 31 December 2018, primarily as a result of the increase in both construction materials and gas for our business needs. The balance then remained relatively stable at RMB8.3 million as at 31 December 2019.

We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. Since our construction materials generally have a long lifespan, no allowance for impairment was recorded during the Track Record Period.

The following table sets forth the turnover days of our inventories during the Track Record Period.

	FY2017	FY2018	FY2019
Average turnover days of inventories[1]	2.1	2.1	2.6

(1) Average inventories turnover days for FY2017, FY2018 and FY2019 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 365 days as applicable.

Our average turnover days of inventories remained relatively stable and low at 2.1 days, 2.1 days and 2.6 days in FY2017, FY2018 and FY2019, respectively.

Trade and bills receivables

The following table sets forth the breakdown of our trade and bills receivables as at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	37,642	41,940	50,665
Bills receivable	–	120	887
	37,642	42,060	51,552
Impairment	(3,470)	(2,492)	(2,427)
	34,172	39,568	49,125

Our trade and bills receivables primarily arise from our sales of gas and provision of construction and installation services. Our trade and bills receivables were RMB34.2 million, RMB39.6 million and RMB49.1 million as at 31 December 2017, 2018 and 2019, respectively which were generally in line with our revenue growth.

Our trading terms with our customers are mainly on credit except for certain new customers where payment in advance is required. Aging of trade receivables based on invoice dates and net of loss allowance, for the dates indicates, are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	34,172	39,568	49,125

An impairment analysis is performed at the end of each of the years using a provision matrix to measure expected credit losses ("**ECL**"). The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The overall expected credit loss rates for trade receivables were 9.2%, 5.9% and 4.7% for the balances as at 31 December 2017, 2018 and 2019, respectively. The ECL for bills receivable, which are all bank acceptance notes, approximates to zero. Those banks who issue bank acceptance notes are creditworthy banks with no recent history of default.

The following table sets forth the movements in the allowance for impairment of trade receivables as the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	4,632	3,470	2,492
Impairment losses, net	1,121	(978)	(65)
Amount written off as uncollectible	(2,283)	–	–
At end of year	3,470	2,492	2,427

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting period during the Track Record Period about past events, current conditions and forecasts of future economic conditions. Trade receivables written off as uncollectible during the Track Record Period represented amounts recoverable from counterparties who are bankrupt or liquidated. See Note 21 to the Accountants' Report in Appendix I to this prospectus for details of the expected credit losses.

As at the Latest Practicable Date, RMB50.6 million or 98.2% of our gross trade and bills receivables outstanding as at 31 December 2019 were settled.

The table below sets forth a summary of average trade and bills receivables turnover days as at the dates indicated:

	FY2017	FY2018	FY2019
Average trade and bills receivables turnover days(1)	12.7	10.7	12.2

(1) Average trade and bills receivables turnover days for FY2017, FY2018 and FY2019 is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables for the relevant period by revenue and multiplying by 365 days as applicable.

The trade and bill receivables turnover days of our Group remained relatively stable at approximately 12.7 days, 10.7 days and 12.2 days for FY2017, FY2018 and FY2019.

Contract assets

Our contract assets are initially recognised for revenue earned from the provision of construction and installation services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The movement in contract assets during the year of the Track Record Period were the result of the decrease and increase in the provision of construction and installation services at the end of each reporting period during the Track Record Period. As at 31 December 2017, 2018 and 2019, our contract assets were RMB0.2 million, RMB0.4 million and RMB1.2 million, respectively, which was relatively low.

An impairment analysis is performed at the end of each of the years using a provision matrix to measure ECL. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customers with similar loss patterns (i.e. by sales type, customer type and rating.) The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the years about past events, current conditions and forecasts of future economic conditions. Based on evaluations on the expected credit loss rate and the gross carrying amount of the balances, our Directors are of the opinion that the ECL in respect of these balances is considered immaterial. During the Track Record Period, no allowance for ECL on credit losses for contract assets was recognised.

As at the Latest Practicable Date, RMB1.0 million or 81.5% of our contract assets outstanding as at 31 December 2019 were billed and settled.

The following table sets forth a summary of average turnover days of the aggregate amount of trade and bills receivables and contract assets for the period indicated:

	FY2017	FY2018	FY2019
Average turnover days of the aggregate amount of trade and bills receivables and contract assets[(1)]	12.8	10.8	12.4

(1) Average turnover days of the aggregate amount of trade and bills receivables and contract assets for FY2017, FY2018 and FY2019 is derived by dividing the arithmetic mean of the opening and closing balances of the aggregate amount of trade and bills receivables and contract assets for the relevant period by revenue from the provision of construction and installation services and multiplying by 365 days as applicable.

The turnover days of our of the aggregate amount of trade and bills receivables and contract assets were approximately 12.8 days, 10.8 days and 12.4 days for FY2017, FY2018 and FY2019, respectively. Our turnover days of the aggregate amount of trade and bills receivables and contract assets represents the number of days needed for the settlement of trade receivables in cash, upon the completion of construction and installation services and recognition of contract assets.

Prepayments, other receivables and other assets

The following table sets forth the breakdown of our prepayments, other receivables and other assets as at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	55,874	23,443	26,312
Other receivables	13,308	14,337	29,434
Deposits	2,488	2,181	312
Impairment	(5,103)	(5,058)	(5,063)
	66,567	34,903	50,995
Classified as			
Prepayments, other receivables and other assets	33,854	20,298	36,545
Other non-current assets	32,713	14,605	14,450
	66,567	34,903	50,995

Prepayments

Our prepayments primarily represented the prepayments to suppliers of gas, prepayment of equity investments in an unlisted company and prepayment for tax and purchase of plant and equipment. Our prepayments decreased from RMB55.9 million as at 31 December 2017 to RMB23.4 million as at 31 December 2018 as a result of the (i) transfer of the entire amount of prepaid funds to an unlisted company of RMB20.0 million following the completion of the investment in it, to the addition of financial assets at fair value through profit or loss during FY2018. Our prepayments increased to RMB26.4 million as at 31 December 2019 primarily due to increase in prepayment for purchase of gas of RMB2.2 million for the expected gas consumption for the first week of January 2020.

Other receivables

Our other receivables mainly represented (i) rental fee receivables arising from investment properties; (ii) prepayment for acquiring land use right; and (iii) prepaid professional expenses in relation to Listing as at 31 December 2019. Our other receivables remained relatively stable at RMB13.3 million and RMB14.3 million as at 31 December 2017 and 2018, respectively. Our other receivables then increased to RMB29.4 million as at 31 December 2019 mainly due to the prepaid expenses of RMB15.6 million in relation to the Listing.

Deposits

Our deposits mainly represented rental deposits and other utility deposits. The amount remained relatively stable at RMB2.5 million and RMB2.2 million as at 31 December 2017, 2018, respectively. Our deposits decreased to RMB0.3 million as at 31 December 2019 mainly due to the retrieval of the land use deposits of RMB1.9 million.

Financial assets at fair value through profit or loss

The following table sets forth the breakdown of our financial assets at fair value through profit or loss as at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Listed equity investments, at fair value	2,854	2,254	1,741
Other unlisted investments, at fair value			
– Wealth management products	193	518	735
– Unlisted equity investments at fair value	–	16,880	14,763
	3,047	19,652	17,239

Our investments classified as financial assets at fair value through profit or loss were held for trading. The shares of the investee were listed on Shanghai Stock Exchange and measured based on the market value as at the end of each financial reporting period.

The unlisted investments included wealth management products issued by banks in the PRC and unlisted equity investments of which was measured using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. As at 31 December 2017, 2018 and 2019, they were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. We currently do not intend to invest in financial assets at fair value through profit or loss after the Listing.

During the Track Record Period, we managed our surplus cash mainly through investing in short-term financial products issued by certain licensed banks and securities companies that we believe have relatively low risks and offer better returns than cash deposits at licensed commercial banks in the PRC. Generally, we adopt the following investment measures that govern our investments in such financial assets, which include, among other things:

(i) We shall make rational investments in strict compliance with relevant national or industrial policy and shall follow the relevant laws and regulations;

(ii) Investments shall be beneficial to the operation and other business activities of our Company, without prejudice to the interests of our Company, and shall ensure the capital preservation and appreciation of the financial assets;

(iii) We shall make investments when we have surplus cash that is not required for our short-term working capital purposes; and

(iv) Our management shall effectively manage our investment risks and safeguard the interests of our Company.

The financial assets at fair value through profit or loss ("**FVTPL**") categorised within level 3 of fair value measurement was unlisted equity investment.

The Group invests in unlisted investments, which mainly represent unlisted equity investment at fair value. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the price to book ("**P/B**") multiple valuation model. The valuation requires the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, for example P/B multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a net assets measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding book value measure of the unlisted equity investment to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the respective reporting period.

Our finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the Board. At the end of each of the three years ended 31 December 2017, 2018 and 2019, the finance department analysed 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 of our Group.

In addition, our Directors, based on the professional advice received, adopted the following procedures including but not limited to, (i) engaged an independent valuer to value the financial assets during the Track Record Period; (ii) reviewed the valuation report prepared by the valuer; and (iii) considered the valuation methodologies and assumptions therein. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

In relation to the valuation analysis performed by the valuer on unlisted equity investments, the Reporting Accountants have performed procedures in accordance with Hong Kong Standard on Auditing 540 "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures", including but not limited to, (i) reviewed and understood the internal control of the fair value estimation by the management of our Group; (ii) assessed the competence, capabilities and objectivity of the valuer; (iii) obtained the valuation model and assessed the valuation approaches applied by the management of our Group; (iv) obtained relevant supporting documents relating to the valuation; (v) evaluated the reasonableness of key parameters, inputs and assumptions in the valuation model, including the use of the Reporting Accountants' in-house valuation experts following the guidance under HKSA 620 Using the Work of an Auditor's Expert; and (vi) checked the mathematical accuracy of the valuation calculations.

In relation to the valuation analysis performed by the valuer on unlisted equity investments, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewed the valuation report prepared by the valuer and understood the basis of the valuation methodologies and assumptions used therein; and (ii) reviewed and discussed about the relevant notes in the Accountants' Report as contained in Appendix I with the Reporting Accountants.

Trade and bills payables

The following table sets forth the breakdown of our trade and bills payables as at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	92,292	101,056	91,236
Bills payable	15,640	13,142	9,149
	107,932	114,198	100,385

Our trade payables are primarily derived from payables relating to payment to our subcontractors for construction work, purchase of construction materials and LPG whilst our bills payables represented the bank acceptance notes for payments to our suppliers. The trade payables are non-interest-bearing and are normally settled within 180 days.

Trade and bills payables amounted to RMB107.9 million, RMB114.2 million and RMB100.4 million, respectively, as at 31 December 2017, 2018 and 2019. Our trade and bills payables increased from 2017 to 2018 which was primarily due to the increase of subcontracting fee for our construction works, purchase of construction materials and LPG resulting from our business expansion during the years. Our trade and bills payables decreased from RMB114.2 million as at 31 December 2018 to RMB100.4 million as at 31 December 2019 mainly due to more settlement made to our subcontractors and suppliers.

The table below sets forth, as at the end of reporting periods indicated, the aging analysis of our trade and bills payables:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	106,738	113,218	99,441
1 to 2 years	618	276	282
Over 2 years	576	704	662
	107,932	114,198	100,385

The following table sets out the average trade and bills payables turnover days for the Track Record Period:

	FY2017	FY2018	FY2019
Average trade and bills payables turnover days(1)	51.5	37.2	34.6

(1) Average trade and bills payables turnover days for FY2017, FY2018 and FY2019 are derived by dividing the arithmetic mean of the opening and closing balances of trade and bills payables for the relevant period by cost of sales and multiplying the resulting value by 365 days as applicable.

Our average trade and bills payables turnover days was 51.5 days, 37.2 days and 34.6 days for FY2017, FY2018 and FY2019, respectively. The decrease in average payable turnover days from FY2017 to FY2018 was mainly due to faster settlement in FY2018. The trade and bills payables turnover days remained relatively stable at 34.6 days in FY2019.

As at the Latest Practicable Date, RMB50.1 million or 49.9% of trade and bill payables outstanding as at 31 December 2019 had been fully settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables.

Other payables and accruals

The following table sets forth the breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Other payables	19,500	18,386	17,258
Construction payable	29,973	25,652	23,485
Tax payable	3,596	2,186	1,528
Payroll and welfare payable	13,818	17,518	20,994
Dividend payable	10,000	–	–
Accruals	993	3,562	889
Interest payable	143	223	–
	78,023	67,527	64,154

Our other payables and accruals mainly represented payables to subcontractors for our construction of our gas pipelines and accrued payroll and tax payables. Our other payables and accruals decreased from RMB78.0 million as at 31 December 2017 to RMB67.5 million as at 31 December 2018 mainly due to the settlement of dividend payable of RMB10.0 million. Our payables and accruals then remained relatively stable at RMB64.2 million as at 31 December 2019.

Contract liabilities

The advances received from customers for the provision of construction and installation services, and sales of gas are recognised as contract liabilities in the consolidated statement of financial position and revenue are recognised when we render relevant services or sales of goods. We also received an upfront proceeds from our customers for the provision of installation services representing a deferred revenue which will be recognised as our revenue on a straight-line basis, i.e. 15 years. Our contract liabilities remained relatively stable at RMB479.2 million, RMB468.1 million and RMB465.3 million as at 31 December 2017, 2018 and 2019, respectively.

The following table sets forth the breakdown of our contract liabilities as at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Provision of installation and management services	46,032	47,927	46,716
Sales of gas	20,270	16,672	17,575
Sales of construction materials	–	–	607
Provision of construction services	8,830	12,589	20,449
	75,132	77,188	85,347
Long-term advances received from customers			
Provision of installation and management services	404,021	390,920	379,984
	479,153	468,108	465,331

The following table sets forth our balances with our related parties as at the dates indicated:

		As at 31 December		
		2017	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties before provision				
Jiaxing LPG	*i*	5,844	856	5,802
Qingyuan Hotel	*ii*	451	1,179	2,886
Jiaxing Pipeline Company	*ii*	16,198	1,203	2,864
Gas and Refuelling Station	*iii*	–	–	1,000
Hangjiaxin	*ii*	–	–	700
Qingchi Hot Spring	*ii*	–	–	813
Salon International Hotel	*ii*	262	221	236
Yuehe Inn	*ii*	143	124	111
Yinda Real Estate	*ii*	–	2,378	–
Qingyuan Hot Spring	*ii*	1	–	–
		22,899	5,961	14,412
Amounts due to related parties				
Jiaxing Pipeline Company	*iv*	189,709	178,426	170,505
Zhuji Jinfeng	*v*	314	138	913
Gas and Refuelling Station	*vi*	8,000	–	–
		198,023	178,564	171,418

i The amount due from Jiaxing LPG was non-trade in nature, unsecured and interest-free. The balance as at 31 December 2019 has been fully provided for impairment because Jiaxing LPG is under the situation of discontinuing its business and the Directors do not expect the amount to be collectible.

ii The amounts due from related parties amounted to RMB17,055,000, RMB5,105,000 and RMB7,610,000, respectively, as at 31 December 2017, 2018 and 2019, were trade in nature, unsecured, interest-free and repayable within 180 days.

iii The amount due from Gas and Refuelling Station amounted to RMB1,000,000 as at 31 December 2019 was non-trade in nature, unsecured, interest-free and repayable in March 2020. As at the Latest Practicable Date, such amount has been fully repaid.

iv The Company rent gas pipelines and properties from Jiaxing Pipeline Company and recognise the corresponding lease liabilities the maturity profile of the lease liabilities due to Jiaxing Pipeline as at the end of each of the Relevant Periods is as follows:

	Due	**Within 1 year**	**Within 2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017	16,529	8,062	38,245	126,873	189,709
At 31 December 2018	9,579	8,803	40,362	115,953	174,697
At 31 December 2019	–	9,774	57,402	96,786	163,962

The remaining balance of amount due to Jiaxing Pipeline Company amounted to nil, RMB3,729,000 and RMB5,643,000 as at 31 December 2017, 2018 and 2019, respectively, was trade in nature, interest-free and repayable within 30 Days.

v The amount due to Zhuji Jinfeng was trade in nature, unsecured, interest-free and repayable within 30 days.

vi The amount due to Gas and Refuelling Station was non-trade in nature, unsecured, interest-free and settled in 2018.

As at the Latest Practicable Date, except for the amount due from Jiaxing LPG which has been fully provided for impairment, all non-trade balances have been settled.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for the payment of procurement of gas, costs used for provision of construction and installation services, staff costs, various operating expenses and capital expenditure and have been funded primarily through a combination of cash generated from our operations and bank borrowings.

The following table summarises, during the Track Record Period, our consolidated statements of cash flows:

	FY2017	FY2018	FY2019
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities before changes in working capital	148,158	164,061	192,075
Changes in working capital	129,929	3,165	(44,579)
Interest received	874	486	620
Tax paid	(25,067)	(26,374)	(23,105)
Net cash flows from operating activities	253,894	141,338	125,011
Net cash flows generated/(used in) from investing activities	21,075	(96,504)	(16,879)
Net cash flows used in financing activities	(271,944)	(9,889)	(131,228)
Net increase/(decrease) in cash and cash equivalents	3,025	34,945	(23,096)
Cash and cash equivalents at beginning of year	48,272	51,297	86,242
Cash and cash equivalents at end of year	51,297	86,242	63,146

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the cash receipt from our sale of gas. Our cash outflow used in operating activities was principally for purchase of gas and construction costs.

For FY2019, we had net cash generated from operating activities of RMB125.0 million, mainly as a result of the cash generated from operations before change in working capital of RMB192.1 million, tax paid of RMB23.1 million and cash outflows from changes in working capital of RMB44.6 million. The change in working capital primarily reflected decrease in trade and bills payables of RMB13.8 million resulting from more settlement made to our suppliers near 31 December 2019 and increase in prepayments, other receivables and other assets of RMB16.1 million primarily due to prepaid listing expense of RMB15.6 million.

For FY2018, we had net cash generated from operating activities of RMB141.3 million, mainly as a result of the cash generated from operations before working capital change of RMB164.1 million, tax paid of RMB26.4 million and cash inflows from changes in working capital of RMB3.2 million. The change in working capital primarily reflected decrease in contract liabilities of RMB11.0 million as a result of increase in advances from our customers and the decrease in prepayments, other receivables and other assets of RMB11.7 million resulting from the decrease in the prepayments primarily attributable to transfer of prepaid fund of equity investment to financial assets at fair value through profit or loss.

For FY2017, we had net cash generated from operating activities of RMB253.9 million, mainly as a result of the cash generated from operations before working capital change of RMB148.2 million, tax paid of RMB25.1 million and cash inflows from changes in working capital of RMB129.9 million. The change in working capital primarily reflected decrease in prepayments, other receivables and other assets of RMB125.4 million resulting from the settlements of amounts due from a related party and disposed subsidiaries.

Investing activities

During the Track Record Period, our cash inflows from investing activities was mainly represented dividends received from associates and joint ventures, proceeds from disposal of subsidiaries and financial assets at fair value through profit or loss. Our cash outflows used in investing activities were principally for investment in joint ventures and associates and financial assets at fair value through profit or loss and purchase of items of property, plant and equipment, investment properties.

For FY2019, we had net cash used in investing activities of RMB16.9 million primarily attributable to purchases of items of property, plant and equipment of RMB34.9 million partially offset by dividends received from an associate of RMB19.3 million.

For FY2018, we had net cash used in investing activities of RMB96.5 million primarily attributable to (i) investment in a joint venture of RMB63.4 million; (ii) purchase of items of property, plant and equipment of RMB38.0 million; and (iii) net purchase of financial assets at fair value through profit or loss of RMB0.1 million.

For FY2017, we had net cash generated from investing activities of RMB21.1 million primarily attributable to (i) repayment received from related parties of RMB146.3 million; and (ii) the proceeds from disposal of shareholdings in subsidiaries of RMB37.5 million. The cash inflows were partially offset by (i) investment in a joint venture of RMB86.7 million; and (ii) purchase of items of property, plant and equipment of RMB56.8 million.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from bank borrowings. Our cash outflow used in financing activities was principally for the repayment of borrowings and payment of dividends.

For FY2019, our Group had net cash used in financing activities of RMB131.2 million primarily attributable to (i) dividends paid of RMB70.0 million; (ii) payment of lease liabilities of RMB30.9 million; and (iii) net interest-bearing bank borrowings of RMB19.6 million raised.

For FY2018, we had net cash used in financing activities of RMB9.9 million primarily attributable to and payment of lease liabilities of RMB24.3 million partially offset by the total dividends paid of RMB10.7 million and interest paid of RMB9.4 million, partially offset by the net proceeds from interest-bearing bank borrowings of RMB34.5 million.

For FY2017, our Group had net cash used in financing activities of RMB271.9 million primarily attributable to net repayment of interest-bearing bank borrowings of RMB252.2 million, payment of lease liabilities of RMB4.7 million and interest paid of RMB14.5 million.

Net Current Assets and Liabilities

We recorded net current liabilities of RMB329.6 million, RMB333.0 million, RMB275.8 million and RMB95.0 million as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			**As at 30 April**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT ASSETS				
Inventories	4,852	7,740	8,314	6,191
Trade and bills receivables	34,172	39,568	49,125	57,100
Contract assets	177	381	1,224	9,712
Prepayments, other receivables and other assets	33,854	20,298	36,545	44,656
Financial assets at fair value through profit or loss	3,047	2,772	2,476	2,546
Pledged deposits	7,276	5,257	7,092	3,475
Cash and cash equivalents	51,297	86,242	63,146	78,813
Total current assets	134,675	162,258	167,922	202,493
CURRENT LIABILITIES				
Trade and bills payables	107,932	114,198	100,385	103,767
Other payables and accruals	78,023	67,527	64,154	58,211
Contract liabilities	75,132	77,188	85,347	84,393
Interest-bearing bank borrowings	167,500	213,000	173,400	33,000
Tax payable	10,970	4,848	10,558	8,219
Lease liabilities	24,700	18,468	9,831	9,857
Total current liabilities	464,257	495,229	443,675	297,447
NET CURRENT LIABILITIES	(329,582)	(332,971)	(275,753)	(94,954)

Our net current liabilities were relatively stable at RMB329.6 million, RMB333.0 million and decreased to RMB275.8 million and RMB95.0 million as at 31 December 2017, 2018 and 30 April 2020, respectively. Our net current liabilities decreased from RMB333.0 million as at 31 December 2018 to RMB275.8 million as at 31 December 2019 primarily due to the decrease in current portion of interest-bearing bank borrowings of RMB39.6 million resulting from repayment and decrease in current portion of lease liabilities of RMB8.6 million resulting from payments during the year. Our current liabilities decreased to RMB95.0 million as at 30 April 2020 primarily due to (i) repayment of current portion of borrowings of RMB140.4 million; and (ii) increase in cash and cash equivalents mainly generated from our operation and additions of non-current portion of bank borrowings.

Our Directors have given careful consideration to the going concern of our Group in light of the fact that we had net current liabilities of RMB275.8 million as at 31 December 2019. Our Group's ability to continue as a going concern is dependent on the ongoing availability of funds to our Group. Our Directors are of the opinion, and the Joint Sponsors concur, that taking into consideration the availability of unutilised banking facilities of RMB766.5 million as at 30 April 2020 of our Group, positive operating cash flow and net proceeds from the Global Offering, we will have sufficient financial resources to meet our capital expenditure requirements and liabilities as and when they fall due for the foreseeable future.

Working Capital Sufficiency

Our Directors confirm that (i) we will continue to closely monitor our net current liabilities position and optimize the composition of our indebtedness in order to achieve net current assets position; and (ii) when any of the above-mentioned short-term loans become due, we will either use our internally generated cash to repay them and/or refinance such short-term bank loans with long-term bank loans.

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our positive operating cash flow, available unutilised banking facilities, other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the proceeds from Global Offering necessary to meet our operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of the Company and our Shareholders as a whole.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of expenditures on additions of property, plant and equipment and investment properties. For FY2017, FY2018 and FY2019, our Group incurred capital expenditures of RMB57.0 million, RMB38.0 million and RMB34.9 million, respectively.

For the year ending 31 December 2020, we estimate that the capital expenditures will amount to approximately RMB52.0 million, primarily for upgrade of pipelines and gas facilities.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally though the net proceeds from the Global Offering, cash generated from our operating activities and proceeds from borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for at least the next 12 months commencing from the date of this prospectus.

PROPERTY INTEREST AND PROPERTY VALUATION

As at 31 December 2019, certain of our property interests that are for property activities had a carrying amount of above 1% of our total assets. Please refer to the property valuation report as set out in Appendix IV to this prospectus for such properties valued by our property valuer (the "**Valued Properties**"). Save and except for the Valued Properties, our Directors confirmed that as at 31 December 2019, no single property interest of ours for property activities had a carrying amount of above 1% of our total assets and the total carrying amount of property interests not valued did not exceed 10% of our total assets.

A reconciliation of our Group's Valued Properties as at 31 March 2020 and such Valued Properties in our consolidated financial statement as at 31 December 2019 as required under Rule 5.07 of the Listing Rules is set forth below:

	(RMB'000)
Net book value of our Group's Valued Properties as at 31 December 2019	205,263
Depreciation for the period from 1 January 2020 to 31 March 2020	(1,631)
Net book value of our Group's Valued Properties as at 31 March 2020	203,632
Valuation surplus as at 31 March 2020	40,168
Valuation as at 31 March 2020	243,800

CONTRACTUAL AND CAPITAL COMMITMENTS

We had the following capital commitments at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Property, plant and equipment	2,607	366	1,867

INDEBTEDNESS

The following table sets forth the breakdown of our total indebtedness as at the dates indicated:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	178,500	213,000	193,400	211,300
Amounts due to related parties	8,000	–	–	–
Lease liabilities	190,151	175,071	164,112	167,067
	376,651	388,071	357,512	378,367

Bank loans

The following table sets out our bank loans as at the dates indicated:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	167,500	213,000	173,400	33,000
In the second year	11,000	–	–	–
In the third to fifth years, inclusive	–	–	20,000	178,300
	178,500	213,000	193,400	211,300

The following table sets out the range of effective interest rates for our borrowings as at the end of each reporting period during the Track Record Period and 30 April 2020:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
Bank borrowings (%)	4.35 – 4.90	4.34 – 5.22	4.35 – 4.79	3.90 – 4.99

The following table sets out the borrowings that were pledged with certain of our assets as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledge of assets:				
Investment properties	166,029	143,435	194,781	224,404
Property, plant and equipment	27,333	30,801	4,120	21,256
Pledged deposits	–	–	7,092	3,475
Prepaid land lease payments	3,701	3,192	2,143	2,611
	197,063	177,428	208,136	251,746

The interest-bearing bank loan amounting to RMB130.5 million and RMB176.0 million as at 31 December 2017 and 2018, respectively, of our Group was secured by the gas franchise right. Such security was released in FY2019.

Certain of our bank loans are secured by the pledge of investment properties as security with net carrying amounts of approximately RMB166.0 million, RMB143.4 million and RMB194.8 million as at 31 December 2017, 2018 and 2019, respectively.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, our overdraft facilities amounted to RMB388.5 million, RMB249.0 million, RMB756.0 million and RMB983.0 million (of which RMB178.5 million, RMB213.0 million, RMB211.5 million and RMB216.5 million had been utilised or expired as at the end of each reporting period during the Track Record Period, are secured by the pledge of certain of our assets as disclosed above.

As at 30 April 2020, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of RMB983.0 million, of which RMB766.5 million was unutilised. We are not committed to draw down the unutilised amount. We had obtained the banking facilities of RMB300 million and RMB100 million from two banks in the PRC in December 2019. We also obtained letters of intent from various financial institutions which indicate their intention to increase our amount of banking facilities, provided that there is no material adverse change in our operation and financial conditions.

During the Track Record Period and up to the date of this prospectus, our Directors confirmed that we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us and did not breach any material covenants. As at the Latest Practicable Date, except for the amounts to be drawn down of existing banking facilities, we did not have any plan for material external debt financing.

Lease liabilities

Our Group has adopted IFRS 16 consistently throughout the Track Record Period. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position.

Our lease liabilities decreased from RMB190.2 million as at 31 December 2017 to RMB175.1 million as at 31 December 2018 mainly due to the increase in payments by RMB19.6 million in FY2018. Our lease liabilities then remained relatively stable at RMB164.1 million as at 31 December 2019 and RMB167.1 million as at 30 April 2020.

Our Company entered into an agreement with Jiaxing Pipeline Company to rent gas pipelines and properties for our operation. Our Company recognised corresponding lease liabilities in accordance with IFRSs, and the balance of lease liabilities due to Jiaxing Pipeline Company amounted to RMB189.7 million, RMB174.7 million and RMB164.0 million as at 31 December 2017, 2018 and 2019, respectively.

Amount due to a related party

Our amount due to Gas and Refuelling Station amounted to RMB8.0 million, nil, nil and nil as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

Such amount due to a related party was unsecured, interest-free and had no fixed term of repayment. The amount due to a related party is non-trade in nature and has been settled as at the Latest Practicable Date. For further details of related party transactions and balances, please refer to Notes 24 and 37 to the Accountants' Report in Appendix I to this prospectus.

Contingent liabilities

In December 2018, Hangjiaxin obtained a bank loan for investment in property, plant and equipment used in operation, which was guaranteed by us. The Directors consider that the possibility of the default in payment regarding to the bank loan of Hangjiaxin is remote taking the predicted cash inflow of Hangjiaxin into consideration and therefore no provision has been made in the historical financial information for the contingent liability arising from the guarantee provided by our Group to the bank loan of Hangjiaxin. The contingent liabilities was nil, RMB40.0 million, RMB306.9 million and RMB347.9 million as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

As at 30 April 2020, being the latest practicable date for the purpose of the indebtedness statement, we did not have any other material contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein, as at the Latest Practicable Date, our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended/as at 31 December		
	2017	**2018**	**2019**
Gross profit margin (%)(1)	17.2	13.5	14.8
Net profit margin (%)(2)	7.3	5.8	6.7
Return on equity (%)(3)	27.4	24.3	26.1
Return on total assets (%)(4)	4.6	5.4	6.5
Current ratio (times)(5)	0.3	0.3	0.4
Gearing ratio (%)(6)	67.3	63.0	54.2
Net debt to equity ratio (%)(7)	45.2	35.9	34.5

Notes:

(1) Gross profit margin for FY2017, FY2018 and FY2019 was calculated on gross profit divided by turnover for the respective year. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on our gross profit margins.

(2) Net profit margin for FY2017, FY2018 and FY2019 was calculated on profit for the year divided by turnover for the respective year. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on our net profit margins.

(3) Return on equity for FY2017, FY2018 and FY2019 was calculated based on the profit for the year for the respective periods divided by the total equity attributable to the Shareholders as at the respective years and multiplied by 100%.

(4) Return on total assets for FY2017, FY2018 and FY2019 was calculated based on the net profit for the respective years divided by the total assets of the respective years and multiplied by 100%.

(5) Current ratios as at 31 December 2017, 2018 and 2019 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(6) Gearing ratios as at 31 December 2017, 2018 and 2019 were calculated based on the total interest-bearing borrowings as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.

(7) Net debt to equity ratios as at 31 December 2017, 2018 and 2019 was calculated based on net debts (being total interest-bearing borrowings net of cash and bank balance) as at the respective dates divided by total equity as at the respective dates.

Return on equity

Our return on equity decreased from 27.4% in FY2017 to 24.3% in FY2018. The decrease was mainly attributable to the increase in total equity. Our return on equity then increased to 26.1% for FY2019 primarily due to the increase in profit for the year by 22.0% when compared to that of FY2018.

Return on total assets

Our return on total assets was 4.6%, 5.4% and 6.5% for FY2017, FY2018 and FY2019, respectively. The increase was primarily attributable to the increase in net profit throughout the Track Record Period as explained above.

Current ratio

The current ratio of our Group remained stable at approximately 0.3 times for FY2017 and FY2018, and at 0.4 times for FY2019.

Gearing ratio

Our gearing ratio decreased from 67.3% for FY2017 to 63.0% for FY2018, primarily attributable to the increase in our total equity, while partially offset by the increase in our bank borrowings. Our gearing ratio decreased to 54.2% for FY2019 mainly attributable to the decrease in bank borrowings as at 31 December 2019.

Net debt to equity ratio

Our debt to equity ratio decreased from 45.2% for FY2017 to 35.9% for FY2018. The decrease was mainly attributable to the increase in cash and cash equivalents.

Our debt to equity ratio decreased to 34.5% in FY2019 mainly attributable to the decrease in bank borrowing as at 31 December 2019.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risks, such as interest rate risk, foreign currency risk, credit risk and liquidity risk.

Details of the risks to which we are exposed are set out in Note 40 to the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

Total estimated expenses (based on the mid-point of our indicative price range for the Global Offering) in relation to the Global Offering are expected to amount to approximately RMB39.7 million, or approximately 14.2% of the net proceeds. During the Track Record Period, we incurred Listing expenses of approximately RMB15.8 million, of which (i) RMB0.2 million had been charged to our profit or loss in FY2019; and (ii) RMB15.6 million had been capitalised as our prepayment and to be deducted in equity in FY2019 upon Listing. We expect to incur additional listing expenses of approximately RMB23.9 million, of which (i) RMB0.3 million is expected to be charged to our profit or loss in FY2020; and (ii) RMB23.6 million is expected to be recognised directly as a deduction in equity in FY2020 upon Listing.

DIVIDEND

The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank facilities or other agreements that we or our subsidiaries may enter into in the future.

The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend.

We declared dividends of RMB10.0 million, nil and RMB70.0 million, respectively, in FY2017, FY2018 and FY2019. All such dividends have been fully paid. Currently we do not have a formal dividend policy and there is no assurance that dividends of any amount will be declared or be distributed in any year.

RISK MANAGEMENT POLICIES AND INTERNAL CONTROL MEASURES

To better detect and manage the risks we are exposed to in connection with our operations, we have formulated a series of comprehensive risk management measures to analyse and control the risks involved in various aspects of our business operation, including fixed assets management, financial management, financial assets procurement, sales control and project management. Details of the risk management measures are as follows:

(i) Our finance department is mainly responsible for managing wealth management business, providing risk analysis on risks involved in financial and investment matters, preparing our Short-term Wealth Management and Investment Proposal and conducting feasibility analysis;

(ii) Our business departments implement a strict multi-level assessment system for procurement and payment. The supplies procurement contracts with amount over RMB1.0 million shall be signed by the relevant personnel in charge of procurement at the level of deputy general manager or above, and shall be subject to the final review by our head of finance department and senior management; and

(iii) Our administrative office is mainly responsible for conducting study and assessment on fixed asset suppliers, continuously optimizing and improving the administrative procurement system; our chief engineer office is mainly responsible for building the supplier database and management of suppliers; and our finance department is responsible for supervising the implementation of assets purchasing within budget and off-budget as well as the management of assets breakdown.

In order to strictly adhere to our treasury and investment policies, we also established a set of internal control procedures relating to our investments in other financial assets during the Track Record Period. The following sets out our major internal control procedures in this regard:

(i) After confirming the existence of cash surplus, our finance department will compile documents for wealth management investment based on the feasibility study on the gains and risks of external investment, prepare the short-term wealth management and investment proposal detailing the investment conditions and environment, credit information of the investee, investment budget and economic benefits, and submit such proposal to us for consideration and approval;

(ii) Wealth management investment shall be conducted through collective decision making process with complete written records. Decisions on external investment or alteration of collective decision by any individual without proper cause is strictly prohibited;

(iii) After being considered and approved in writing by the chairman of the Board, investment shall be conducted only after being considered and approved in accordance with our internal policies;

(iv) Single investment amounting to RMB5 million or below and investment in the same company with accumulated investment amount of RMB5 million or below in the last 12 consecutive months shall be determined by the chairman of the Board; investment with accumulated investment amount of over RMB5 million within one accounting year and not exceeding 30% of the latest audited total assets shall be determined by the Board; and investment exceeding the above amount shall be submitted to the general meeting of our shareholders for consideration and approval;

(v) During the process of investment, our finance department shall make settlement with the financial institutions in a timely manner in accordance with the terms of the agreements entered into with such financial institutions. In the event of significant fluctuations in interest rates, our finance department shall conduct analysis in a timely manner and submit the relevant information to the chairman of the Board; and

Upon maturity of the wealth management products, our finance department shall take timely measures to collect the principal and interest on the short-term investment and apply the relevant accounting treatment.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 15 March 1998. For our Company's distributable reserves, please see notes I and 32 of the Accountants' Report in Appendix I to this Prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for our unaudited pro forma adjusted net tangible assets.

RECENT DEVELOPMENT

Please see the paragraph headed "Summary – Recent Development" in this prospectus for details of our recent development.

Based on our unaudited management accounts for the four months ended 30 April 2020, our revenue decreased and the gross profit margin remained stable as compared with the corresponding period in FY2019, mainly due to the temporary suspension of construction and installation projects and the decrease in gas sale to certain commercial customers as a result of the suspension of their business operation because of the outbreak of COVID-19.

Beginning in late 2019, the PRC and various countries around the world encountered an outbreak of COVID-19, a highly contagious disease. In response to the severity of the COVID-19 outbreak, the Chinese officials have extended the Lunar New Year holiday by three days in the PRC to 2 February 2020. According to the Notice of General Office of the People's Government of Zhejiang Province on the Delay of Resumption of Work by Enterprises and Start of School* (《浙江省人民政府辦公廳關於延遲企業復工和學校開學通知》) issued by the People's Government of Zhejiang Province, the resumption of work by enterprises after the Lunar New Year holiday was delayed to not be earlier than 9 February 2020 in order to effectively strengthen the prevention and control of the spread of COVID-19 in Zhejiang Province. The World Health Organisation declared the outbreak of COVID-19 as a public health emergency of international concern in January 2020 and characterised COVID-19 as pandemic in March 2020.

Accordingly, we suspended part of our business operations from 31 January 2020 to 9 February 2020. During the same period, our gas supply and provision of customer services (with adjusted service hours) and emergency service were not suspended and remained normal. To maintain our continuous business operations and the health of our employees, we have adopted several enhanced hygiene and precautionary measures from February 2020. By March 2020, all our business operations had resumed to normal level. On the other hand, according to the Notice on Temporarily Reducing the Price of Gas, Water and Electricity for Enterprises During the Epidemic Prevention of COVID-19 (《關於新冠肺炎防疫期間臨時降低企業用氣用水用電價格的通知》浙發改價格[2020]22號) and Notice on the Adjustment of the Natural Gas Prices of Gateway Stations (《浙江省發展改革委關於調整天然氣門站價格的通知》(浙發改價格[2020]91號) issued by Zhejiang Development and Reform Commission and Notice on Floating Down the Natural Gas Prices of City Gateway Stations in June 2020 (《關於下浮2020年6月天然氣城市門站價格的通知》) issued by Jiaxing Pipeline Company, the sales price ceiling of non-residential usage and coal-to-gas as well as the prices of gateway stations were temporarily adjusted from 1 February 2020 to 21 February 2020, from 22 February 2020 to 31 May 2020 and from 1 June 2020 to 1 July 2020, respectively. As a result, the above temporary adjustments of prices led to a decrease in revenue generated from our sales of gas by approximately 0.3% during February to April 2020 as compared to that in a case without such price adjustments. As confirmed by our Directors, as the sales price of our major non-residential users are below the adjusted sales price ceiling, it is estimated that the temporary adjustment of prices will not have a material impact on our revenue generated from sales of gas for FY2020. On the basis that (i) none of our employees were quarantined or are being quarantined as at the Latest Practicable Date due to the COVID-19 pandemic; (ii) our business operations had resumed to normal level by March 2020; (iii) we have not encountered and are not expected to encounter any material disruption to our supply chain; and (iv) most of our industrial and commercial users have resumed business operations by early March 2020, our Directors confirm that we are able to maintain our sales of gas at a stable level and discharge the obligations under all construction and installation service agreements, and therefore there is no material adverse effect on our continuing business operations, long-term relationship with our customers or sustainability. After taking into account (i) our existing cash and cash equivalents; (ii) our unutilised banking facilities; and (iii) the net IPO proceeds designated for working capital and general corporate purposes (based on the minimum indicative Offer Price at HK$9.00 per Share), we will be able to satisfy our operating cost and remain financially viable for at least the next 12 months in case our business operations are being suspended. The key assumptions include (i) we will not generate any income due to the suspension of business; (ii) we will not have to pay subcontracting fee to our subcontractors according to the subcontracting agreements due to suspension of works; and (iii) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (such as basic office maintenance and staff cost and utilities expenses).

In view of the impact of the outbreak of COVID-19 in the PRC on our business operations, our Directors expect that revenue generated from both sales of gas and provision of construction and installation services will decrease in FY2020 as compared with FY2019, as (i) our revenue generated during the COVID-19 outbreak slightly decreased due to the suspension of business operations by certain enterprises in February 2020; and (ii) the level of industrial and commercial activities is expected to decrease after the COVID-19 pandemic, which, as advised by Frost & Sullivan, was mainly due to the suspension of business operations for certain enterprises in February 2020 and inconvenience to the resumption of normal business operations for enterprises since March 2020 caused by containment measures of COVID-19. However, our Directors believe that such decrease in revenue will not be substantial as (i) considering the basic necessity of natural gas, demand for our sales of gas will not drop significantly; and (ii) majority of our staff, customers and suppliers has resumed normal work by early March 2020 and our business operations has remained at a normal level since then.

For further details in relation to the outbreak of COVID-19, please refer to the paragraphs headed "Risk Factors – Risks Relating to Our Sales of Gas, Construction and Installation and Other Businesses – The outbreak of any severe communicable disease, such as COVID-19, if uncontrolled, could adversely affect our results of operations", "Regulatory Overview – Pricing of Natural Gas – The price of Natural Gas in Jiaxing", "Business – Employees – Occupational Health and Safety" and "Business – Impact of Outbreak of COVID-19 on Our Business" in this prospectus.

Our Directors confirm that as far as we are aware, there has been no material adverse change in our business operations, financial conditions or trading position since 31 December 2019, being the date to which our latest audited consolidated financial information was prepared, and up to the date of this prospectus, which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS

For details of our future plans, please refer to the paragraph headed "Business – Our Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$306.6 million (equivalent to approximately RMB280.4 million) from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions, incentives and other estimated offering expenses payable by us and assuming an Offer Price of HK$10.50 per H Share, being the mid-point of the indicative Offer Price Range. We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 80%, or HK$245.2 million (equivalent to approximately RMB224.3 million), of which RMB204.6 million will be used to fund our payment of registered capital of Hangjiaxin and the remainder will be provided to Hangjiaxin by way of shareholder's loan by batches by 2021, both of which are for funding the capital expenditure expected to be incurred for the Dushan Port Project, namely the construction and operation of a LNG storage and transportation station in Dushan Port, which is coastal area, for the import and storage of LNG for diversification of our source of LNG and to meet the demand for natural gas in Jiaxing and neighbouring cities such as Shanghai, Hangzhou and Suzhou in the Yangtze River Delta. It is currently estimated that Hangjiaxin will complete the construction of the facilities for the Dushan Port Project by the second quarter of 2021 as follows:

Key operational facilities	**Expected completion timeline**
Two fully contained LNG storage tanks	Third quarter of 2020
Docks for LNG vessels	Second quarter of 2021
Gasification facilities	Third quarter of 2020
LNG filling facilities for tankers	Third quarter of 2020
LNG filing facilities for vessels	Second quarter of 2021

Please refer to the section headed "Dushan Port Project" in this prospectus for details;

- approximately 10%, or HK$30.7 million (equivalent to approximately RMB28.0 million), will be used to enhance our sales of PNG in Jiaxing by upgrading our pipeline network (both urban pipeline network and end-user pipeline network) and operational facilities in Jiaxing in the coming three years from the Listing, subject to compliance, regulatory requirements and market conditions. Among the net proceeds:

  – approximately 6% or HK$18.4 million (equivalent to approximately RMB16.8 million) will be used mainly upgrading certain old residential districts covering approximately 35,400 residential units and connect them with pipeline network and gas facilities. 25%, 35% and 40% of such upgrade is estimated to be completed by the end of 2020, 2021 and 2022, respectively;

  – approximately 2.5% or HK$7.7 million (equivalent to approximately RMB7.0 million) will be used mainly equipping newly constructed roads with medium pressure pipelines of approximately 67.0km, of which approximately 3.5km, 30.7km and 32.8km of medium pressure pipelines are estimated to be built by the end of 2020, 2021 and 2022, respectively; and

  – approximately 1.5% or HK$4.6 million (equivalent to approximately RMB4.2 million) will be used mainly upgrading our pipeline network (both urban pipeline network and end-user pipeline network) and operational facilities for our PNG business by batches and stages in the coming three years from the Listing, with reference to, among other things, the operating conditions of individual pipeline or facility being assessed regularly, the remaining useful lives of the respective pipelines and facilities and the city development plan in Jiaxing, including but not limited to replacing the existing gas pipes with full anti-corrosion gas pipes, upgrading the system of our emergency repair command centre, establishing a pipeline network operation pressure analysis system, upgrading our industrial and commercial remote meter reading system, optimising the database module of our pipeline geographical information system;

- approximately 10%, or HK$30.7 million (equivalent to approximately RMB28.0 million), will be used for working capital and general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price Range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by HK$48.3 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase by HK$50.7 million, assuming an Offer Price of HK$10.5 per H Share, being the mid-point of the proposed Offer Price Range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price Range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by HK$55.5 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be held in short-term deposits with licensed banks in Hong Kong or the PRC. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

In the event that any of our projects do not proceed as planned, including due to circumstances such as changes in economic conditions or government policies that would render any of our future plans not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering. In such case, we will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

REASONS FOR LISTING

We believe that the Listing on the Stock Exchange will increase our competitiveness and enhance our business development, market share, financial results and business prospect. We believe that the Listing would facilitate the implementation of our business strategies as set out in the paragraph headed "Business – Our Strategies" in this prospectus, including (i) enhancing our sales of PNG in Jiaxing by upgrading our pipeline network; and (ii) expanding our business to supply natural gas to other cities, such as by (a) continuing our investment in the Dushan Port Project to capture opportunities of sales of natural gas to the neighbouring cities in Yangtze River Delta; and (b) continuing to selectively pursue strategic acquisition or partnership opportunities.

We believe that the Listing on the Stock Exchange will also enable us to increase market awareness of our brand name, maintain our competitive advantages in the PRC and to increase our level of competitiveness in the natural gas industry in Zhejiang Province, in view of the fact that Hong Kong is a gateway to mainland China.

For the reasons stated above, our Directors believe that the Listing is commercially sensible and justifiable.

THE CORNERSTONE PLACING

Our Company has entered into cornerstone investment agreements with three investors ("**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which (1) two of the Cornerstone Investors have agreed to subscribe, or cause their respective designated wholly-owned subsidiaries to subscribe, at the Offer Price for such number of our Offer Shares (rounded down to the nearest whole board lot of 500 H Shares in respect of each Cornerstone Placing) with an aggregate amount of approximately HK$70,000,000 (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), and (2) one of the Cornerstone Investors has agreed to subscribe, or cause its designated wholly-owned subsidiary to subscribe, for 6,250,000 Offer Shares at the Offer Price per Share (plus the brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) (the "**Cornerstone Placing**").

Our Company is of the view that the Cornerstone Placing signifies the confidence of the Cornerstone Investors in our business and prospects. It also ensures a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering which helps to raise the profile of our Company and reduces the risk of under-subscription.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiry, each of the Cornerstone Investors and their respective ultimate beneficial owners is independent of our Company and our connected persons. In addition, our Company confirms that (i) save for the cornerstone investment agreements, there is no side arrangement between our Group and the Cornerstone Investors in connection with the Cornerstone Placing; (ii) the Cornerstone Investors are not accustomed to take and have not taken any instructions from our Company, the Directors, chief executive of our Company, the Major Shareholders, Substantial Shareholders or existing Shareholders, or any director, chief executive or shareholder of any of our subsidiaries, or their respective close associates; and (iii) the subscription of Offer Shares by the Cornerstone Investors is not financed by our Company, the Directors, chief executive of our Company, the Major Shareholders, Substantial Shareholders or existing Shareholders, or any director, chief executive or shareholder of any of our subsidiaries, or their respective close associates. Immediately after completion of the Global Offering, none of the Cornerstone Investors will have any representation in our Board, nor will they become Substantial Shareholders. The Cornerstone Investors do not have any preferential rights in the cornerstone investment agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each Cornerstone Investor, the subscription under the cornerstone investment agreement is funded by the internal resources of such Cornerstone Investor and/or its holding company and/or other group companies of the holding company.

Pursuant to the cornerstone investment agreements, BOCOM International Securities may in its sole discretion determine that delivery of a portion of the Offer Shares subscribed for by the Cornerstone Investors shall take place on a date later than the Listing Date (the "**Delayed Delivery Date**") in order to facilitate the stabilisation by the Stabilising Manager as well as to cover over-allocations in the International Placing, provided that the Delayed Delivery Date shall be no later than two business days following the last day on which the Over-allotment Option may be exercised. It is expected that, for each Cornerstone Investor, the number of Offer Shares that could potentially be subject to delayed delivery will not be more than 1,667,000 H Shares. If the Offer Shares are to be delivered to the Cornerstone Investors on the Delayed Delivery Date, the Cornerstone Investors shall nevertheless pay for the Offer Shares on or before the Listing Date.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will, when issued and delivered, rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rules 8.08 and 8.24 of the Listing Rules. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective cornerstone investment agreements. The total number of Offer Shares to be subscribed for by the Cornerstone Investors pursuant to the Cornerstone Placing will not be affected by reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer nor by any exercise of the Over-allotment Option as described in "Structure and Conditions of the Global Offering" in this prospectus. Details of the actual number of Offer Shares to be subscribed for by the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company.

CORNERSTONE INVESTORS

The Cornerstone Investors in respect of the Cornerstone Placing are set out below:

Cornerstone Investor	**Indicative Offer Price** *(Note 1)*	**Total subscription amount** *(Note 2)* *HK$*	**Number of Offer Shares to be subscribed for (rounded down to the nearest whole board lot of 500 H Shares)**	**Approximate percentages of the total number of the Offer Shares (assuming that the Over-allotment Option is not exercised)**	**Approximate percentages of the total number of the Offer Shares (assuming that the Over-allotment Option is exercised in full)**	**Approximate percentage of shareholding in the total share capital of our Company (assuming that the Over-allotment Option is not exercised)**	**Approximate percentage of shareholding in the total share capital of our Company (assuming that the Over-allotment Option is exercised in full)**
Fashion Home International Trading Co., Limited	Low-end: HK$9.00	19,000,000	2,111,000	6.33%	5.51%	1.58%	1.53%
	Mid-point: HK$10.50		1,809,500	5.43%	4.72%	1.36%	1.31%
	High-end: HK$12.00		1,583,000	4.75%	4.13%	1.19%	1.14%
Hong Sung Timber Trading Co., Limited	Low-end: HK$9.00	51,000,000	5,666,500	17.00%	14.78%	4.25%	4.10%
	Mid-point: HK$10.50		4,857,000	14.57%	12.67%	3.64%	3.51%
	High-end: HK$12.00		4,250,000	12.75%	11.08%	3.19%	3.07%
Flat (Hong Kong) Co., Limited	Low-end: HK$9.00	56,250,000					
	Mid-point: HK$10.50	65,625,000					
	High-end: HK$12.00	75,000,000	6,250,000	18.75%	16.30%	4.69%	4.52%

Notes:

(1) The low-end, mid-point and high-end of the proposed Offer Price Range set out in this prospectus, respectively.

(2) The investment amount is exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% which the Cornerstone Investors will pay in respect of such H Shares.

The information about our Cornerstone Investors is set out below:

1. Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司)

Fashion Home International Trading Co., Limited is a limited company incorporated in Hong Kong. It is principally engaged in timber import and trading. As at the Latest Practicable Date, it was wholly-owned by Mr. Liu Zhenjiang (劉振江), who indirectly held 5% of the shareholding interest in Hong Sung Timber Trading Co., Limited, another Cornerstone Investor. Our Company became acquainted with Fashion Home International Trading Co., Limited through business networking.

2. Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司)

Hong Sung Timber Trading Co., Limited is a limited company incorporated in Hong Kong. It is principally engaged in timber trading. As at the Latest Practicable Date, it was a wholly-owned subsidiary of 嘉興金源投資有限公司 (Jiaxing Jinyuan Investment Co., Ltd.*), which was in turn owned as to 75% by Mr. Shen Xiaohong (沈小紅) and 5% by each of Mr. Liu Zhenjiang (劉振江), Mr. Lu Huarong (呂花榮), Mr. Zhou Jiancheng (周建成), Mr. Zhang Zhonglin (張忠林) and Mr. Ge Xiaohai (葛曉海), each an Independent Third Party. 嘉興金源投資有限公司 (Jiaxing Jinyuan Investment Co.,Ltd.*) is principally engaged in industrial investment, investment management and investment consulting in Jiaxing, the PRC. Our Company became acquainted with Hong Sung Timber Trading Co., Limited through business networking.

3. Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司)

Flat (Hong Kong) Co., Limited is a limited company incorporated in Hong Kong. It is principally engaged in glass export in Zhejiang, the PRC. As at the Latest Practicable Date, it was a wholly-owned subsidiary of Flat Glass Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6865) and the Shanghai Stock Exchange (stock code: 601865). As confirmed by Flat (Hong Kong) Co., Limited, the execution, delivery and performance of the cornerstone investment agreement or the subscription of the Offer Shares by Flat (Hong Kong) Co., Limited under the Cornerstone Placing would not require the passing of any resolutions or obtaining of any consent, approval, or authorisation by the shareholders of Flat Glass Group Co., Ltd., and would not constitute a notifiable transaction of Flat Glass Group Co., Ltd. under Chapter 14 of the Listing Rules. Flat Glass Group Co., Ltd., together with its subsidiaries, is principally engaged in the manufacturing and sale of photovoltaic glass products, float glass products, architectural glass products, household glass products and other types of relevant products in the PRC. Our Company started business relationship with Flat Glass Group Co., Ltd. in 2011, which was one of our major customers during the Track Record Period purchasing PNG from us.

CONDITIONS PRECEDENT

The subscription obligations of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements;

(2) the Offer Price having been agreed upon between our Company and BOCOM International Securities (for itself and on behalf of the other Underwriters);

(3) none of the Underwriting Agreements having been terminated;

(4) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and such approval and permission not having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(5) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective cornerstone investment agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(6) the representations, warranties, confirmations and undertakings from the Cornerstone Investors given under the respective cornerstone investment agreements are (as of the date of the respective cornerstone investment agreements) and will (as of the Listing Date and the Delayed Delivery Date (if applicable)) remain accurate, true and not misleading, and that there is no breach of the respective cornerstone investment agreements on the part of the relevant Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has undertaken that, unless prior written consent of each of our Company, BOCOM International Securities (for itself and on behalf of the other Underwriters) and the Joint Sponsors has been obtained, it will not, at any time during the period of six (6) months following the Listing Date, (i) sell, pledge, charge, sell or offer to sell any option, or offer to purchase or purchase any option, or subscribe, lend or otherwise transfer or dispose of (as defined under the cornerstone investment agreements), either directly or indirectly, conditionally or unconditionally, any of the Offer Shares acquired under the respective cornerstone investment agreements or any interest in any company or entity holding any of the relevant Offer Shares, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of these Offer Shares (or any interest in any company or entity holding any such Offer Shares); (iii) permit its change of control (as defined under the Takeovers Code); (iv) enter into any transaction with the same economic effect as any of the transactions referred to in (i), (ii) or (iii) above; (v) permit or allow any person having beneficial interest in the relevant Cornerstone Investors entering into any transaction in respect of the shares of the relevant Cornerstone Investors with similar economic effect as any of the transactions referred to in (i), (ii), (iii) or (iv) above; or (vi) agree, offer to or publicly announce any intention to enter into any of the transactions as referred to in (i) to (v) above, save for transfers of any of such Offer Shares to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor.

HONG KONG UNDERWRITERS (in alphabetical order)

BOCOM International Securities Limited

CCB International Capital Limited

CEB International Capital Corporation Limited

China Everbright Securities (HK) Limited

China Industrial Securities International Capital Limited

CMBC Securities Company Limited

Dongxing Securities (Hong Kong) Company Limited

Elstone Securities Limited

Essence International Securities (Hong Kong) Limited

Fosun Hani Securities Limited

Guosen Securities (HK) Capital Company Limited

Guotai Junan Securities (Hong Kong) Limited

Livermore Holdings Limited

Maxa Capital Limited

Yue Xiu Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 3,334,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

(a) the Listing Committee granting the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and BOCOM International Securities (for itself and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and BOCOM International Securities (for itself and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from BOCOM International Securities (for itself and on behalf of the other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of BOCOM International Securities:

(i) that any statement contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**"), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of BOCOM International Securities (for itself and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or

(iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Concert Parties (the "**Warrantors**") pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (the "**Group Company**"); or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

(vii) the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares (including any additional H Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents (as defined under the Hong Kong Underwriting Agreement) or to the issue of any of the Offer Documents; or

(x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xi) an authority or a political body or organization in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of the Group as set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus; or

(xii) a portion of the orders in the bookbuilding process, which is considered by BOCOM International Securities (for itself and on behalf of the other Hong Kong Underwriters) in its absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and BOCOM International Securities (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by BOCOM International Securities (for itself and on behalf of the other Hong Kong Underwriters) in its sole and absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome, coronavirus disease (COVID-19) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the "**Specific Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Specific Jurisdictions; or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority ("**Law(s)**"), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of the Specific Jurisdictions; or

(v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the H Shares; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or

(x) any of the Directors, Supervisors and senior management members of our Company as set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his or her office; or

(xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or

(xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

(xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity, which in each case individually or in aggregate in the sole and absolute opinion of BOCOM International Securities (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By the Major Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Major Shareholders has undertaken to us and to the Stock Exchange that except as permitted under the Listing Rules or the Global Offering (including the Over-allotment Option), it shall not and shall procure that the relevant registered Shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan), it would then cease to be a substantial shareholder of our Company for the purposes of the Listing Rules.

Each of the Major Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any Shares beneficially owned by it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged Shares beneficially owned by it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of the Major Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure each other Group Company not to, without the prior written consent of the Joint Sponsors and BOCOM International Securities (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) (except for the allotment of shares or securities by our subsidiaries to our Company or other members of our Group) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event that, during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By the Major Shareholders

Each of the Major Shareholders has undertaken jointly and severally to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and BOCOM International Securities (for itself and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/him/her (together, the "**Controlled Entities**") shall not,

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities as at the Listing Date (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above,

whether any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of such option, right, interest or Encumbrance pursuant to such transaction, it/he/she would then cease to be a substantial shareholder of our Company for the purposes of the Listing Rules or (in respect of the Concert Parties) would (together with the other Concert Parties) cease to be a group of substantial shareholders;

(iii) in the event that it/he/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/him/her or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of the Major Shareholders has further undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

(i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Joint Sponsors in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of our pledged or charged securities or interests in the Relevant Securities will be sold, transferred or disposed of, immediately inform our Company and the Joint Sponsors in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Joint Sponsors' Independence

Bank of Communications Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 3328), had granted banking facilities to the Group in the amount exceeding 30% of the total assets of the Group as at the Latest Practicable Date. Bank of Communications Co., Ltd. is a Controlling Shareholder of BOCOM International Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3329)), which in turn is the controlling shareholding of BOCOM International (Asia). Therefore, BOCOM International (Asia), one of the Joint Sponsors, is not expected to be independent according to 3A.07(5) of the Listing Rules. Apart from BOCOM International (Asia), the other Joint Sponsor, LY Capital, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to subscribe for or purchase the International Placing Shares or procure subscribers or purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please refer to "Structure and Conditions of the Global Offering – International Placing" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of BOCOM International Securities (for itself and on behalf of the other International Underwriters) from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 5,001,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover any over-allocations in the International Placing, if any.

Total Commission and Expenses

We will pay BOCOM International Securities (for itself and on behalf of the other Underwriters) an underwriting commission of 2.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer (excluding any International Placing Shares reallocated to the Hong Kong Public Offer and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to BOCOM International Securities and the relevant International Underwriters, but not the Hong Kong Underwriters. In respect of the International Placing, we expect to pay an underwriting commission of 2.5% of the aggregate Offer Price of the International Placing Shares, including any Shares which may be alloted under the exercise of the Over-allotment Option, subject to the reallocation and market condition. In addition, we may, at our discretion, pay to BOCOM International Securities an additional incentive fee of up to approximately HK$3.3 million, being 1.0% of the aggregate Offer Price of the Offer Shares from the Global Offering, including proceeds from the exercise of the Over-allotment Option.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$10.50 (being the mid-point of the Offer Price Range of HK$9.00 to HK$12.00), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK$43.5 million and are payable by us.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

ACTIVITIES BY THE UNDERWRITERS

The Underwriters and their respective affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Underwriters and their respective affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Underwriters or their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities in relation with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to the H Shares, the activities of the Underwriters or their respective affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (the financing of which may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Underwriters or their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Underwriters or their respective affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilising period as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Underwriters or their respective affiliates will be subject to certain restrictions, including the following:

(a) the Underwriters or their respective affiliates (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Underwriters or their respective affiliates must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO which includes the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Underwriters or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to us, our affiliates or our Shareholders including cornerstone investors, for which the Underwriters or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offer of initially 3,334,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in "The Hong Kong Public Offer" in this section; and
- the International Placing of initially 30,006,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or
- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both.

The 33,340,000 Offer Shares in the Global Offering will represent approximately 25% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 3,334,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in "Conditions of the Global Offering" in this section.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools:

- ***Pool A***: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and

- ***Pool B***: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 1,667,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation at the discretion of BOCOM International Securities, subject to the following:

(a) where the International Placing Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, BOCOM International Securities has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as BOCOM International Securities deems appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 3,334,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the maximum total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 6,668,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 10,002,000 Offer Shares (in the case of (1)), 13,336,000 Offer Shares (in the case of (2)) and 16,670,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 3,334,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the maximum total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 6,668,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price Range (i.e. HK$9.00 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, maximum price of HK$12.00 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK$6,060.46 for one board lot of 500 H Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in "Pricing and Allocation" in this section, is less than the maximum price of HK$12.00 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 30,006,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the International Placing will represent approximately 22.50% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by BOCOM International Securities and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its H Shares, after the listing of the H Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

BOCOM International Securities (for itself and on behalf of the other Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer to provide sufficient information to BOCOM International Securities so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in the paragraph headed "The Hong Kong Public Offer – Reallocation" in this section or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by BOCOM International Securities (for itself and on behalf of the other International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offer, to require the Company to issue up to 5,001,000 H Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional H Shares to be issued pursuant thereto will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our H Shares, (iii) purchasing, or agreeing to purchase, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our H Shares for the sole purpose of preventing or minimising any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in H Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the H Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the H Shares;
- no stabilising action can be taken to support the price of the H Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on Friday, 7 August 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

OVER-ALLOCATION

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, using H Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

PRICING AND ALLOCATION

Our Company and BOCOM International Securities (for itself and on behalf of the other Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 9 July 2020, and in any event, not later than Friday, 10 July 2020.

The Offer Price will not be more than HK$12.00 per Offer Share and is expected to be not less than HK$9.00 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum price of HK$12.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% fee, amounting to a total of HK$6,060.46 for one board lot of 500 H Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$12.00, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

BOCOM International Securities (for itself and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong

Kong Public Offer publish a notice on our website at **www.jxrqgs.com** and the website of the Stock Exchange at **www.hkexnews.hk** (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and BOCOM International Securities (for itself and on behalf of the other Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price Range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, BOCOM International Securities may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in the paragraph headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued as described in this prospectus (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and BOCOM International Securities (for itself and on behalf the other Underwriters);
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 30 July 2020, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and BOCOM International Securities (for itself and on behalf of the other Underwriters) on or before Friday, 10 July 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by the Company on our website at **www.jxrqgs.com** and the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in the paragraph headed "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and BOCOM International Securities (for itself and on behalf of the other Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in "Underwriting" in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 16 July 2020, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 July 2020.

The H Shares will be traded in board lots of 500 H Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, BOCOM International Securities, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, BOCOM International Securities may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **IPO App** or the designated website at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Tuesday, 30 June 2020 to 12:00 noon on Wednesday, 8 July 2020:

(i) any of the following offices of the Hong Kong Underwriters:

BOCOM International Securities Limited	9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong
CCB International Capital Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
CEB International Capital Corporation Limited	22/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
China Everbright Securities (HK) Limited	24/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
China Industrial Securities International Capital Limited	7/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
CMBC Securities Company Limited	45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Dongxing Securities (Hong Kong) Company Limited	6805-6806A, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Elstone Securities Limited	Suite 1601-04, 16/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Essence International Securities (Hong Kong) Limited	39/F., One Exchange Square, Central, Hong Kong

Fosun Hani Securities Limited	Suite 2101-2105, 21/F Champion Tower, 3 Garden Road, Central, Hong Kong
Guosen Securities (HK) Capital Company Limited	Suites 3207-3212 on Level 32, One Pacific Place, 88 Queensway, Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Livermore Holdings Limited	Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong
Maxa Capital Limited	Unit 1908, Harbour Center, 25 Harbour Road, Wan Chai, Hong Kong
Yue Xiu Securities Company Limited	Room 1003-1005, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong

(ii) any of the outlets of the following receiving bank:

Bank of Communications Co., Ltd. Hong Kong Branch

District	Outlet	Address
Hong Kong Island	Business Department	Unit B B/F. & G/F., Unit C G/F., Wheelock House, 20 Pedder Street, Central
Kowloon	Lam Tin Sub-Branch	Shop No. 5 & 9, G/F., Kai Tin Towers, 51-67C Kai Tin Road, Lam Tin
New Territories	Market Street Sub-Branch	G/F., 49-55 Tsuen Wan Market Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Tuesday, 30 June 2020 until 12:00 noon, Wednesday, 8 July 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF COMMUNICATIONS (NOMINEE) CO. LTD. — JIAXING GAS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the outlets of the receiving bank listed above, at the following times:

- **9:00 a.m. to 5:00 p.m. on Tuesday, 30 June 2020**
- **9:00 a.m. to 5:00 p.m. on Thursday, 2 July 2020**
- **9:00 a.m. to 5:00 p.m. on Friday, 3 July 2020**
- **9:00 a.m. to 1:00 p.m. on Saturday, 4 July 2020**
- **9:00 a.m. to 5:00 p.m. on Monday, 6 July 2020**
- **9:00 a.m. to 5:00 p.m. on Tuesday, 7 July 2020**
- **9:00 a.m. to 12:00 noon on Wednesday, 8 July 2020**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 8 July 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

The application for the Hong Kong Offer Shares will commence on Tuesday, 30 June 2020 through Wednesday, 8 July 2020, being longer than the usual market practice of four days, and the gap between the application lists closing date and the Listing Date is slightly longer than the usual market practice of six days. The application monies (including the brokerage, SFC transaction levies and Stock Exchange trading fees) is expected to be held by the receiving bank on behalf of our Company and the refund monies, if any, is expected to be returned to the applicants without interest on Wednesday, 15 July 2020. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, 16 July 2020.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service, and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our H Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus, the Application Form, the **IPO App** and the designated website under the **HK eIPO White Form** service;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's H Share register as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "Who can apply" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** and on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** under the **HK eIPO White Form** service (24 hours daily, except on the last application day) from 9:00 a.m., Tuesday, 30 June 2020 until 11:30 a.m., Wednesday, 8 July 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Wednesday, 8 July 2020 or such later time under the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's H Share register as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong;

- agree with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each shareholder of the Company, with each CCASS Participant giving electronic application instructions) to observe and comply with the Company Law, the Special Regulations on Listing Overseas and the Articles of Association of the Company;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **9:00 a.m. to 8:30 p.m. on Tuesday, 30 June 2020**
- **8:00 a.m. to 8:30 p.m. on Thursday, 2 July 2020**
- **8:00 a.m. to 8:30 p.m. on Friday, 3 July 2020**
- **8:00 a.m. to 8:30 p.m. on Monday, 6 July 2020**
- **8:00 a.m. to 8:30 p.m. on Tuesday, 7 July 2020**
- **8:00 a.m. to 12:00 noon on Wednesday, 8 July 2020**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., Tuesday, 30 June 2020 until 12:00 noon, Wednesday, 8 July 2020 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon, Wednesday, 8 July 2020, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

The application for the Hong Kong Offer Shares will commence on Tuesday, 30 June 2020 through Wednesday, 8 July 2020, being longer than the usual market practice of four days, and the gap between the application lists closing date and the Listing Date is slightly longer than the usual market practice of six days. The application monies (including the brokerage, SFC transaction levies and Stock Exchange trading fees) is expected to be held by the receiving bank on behalf of our Company and the refund monies, if any, is expected to be returned to the applicants without interest on Wednesday, 15 July 2020. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, 16 July 2020.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 8 July 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** and on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed "Structure and Conditions of the Global Offering – Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above;
- a "black" rainstorm warning; and/or
- an announcement of "extreme conditions" by the government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 8 July 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 8 July 2020 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 15 July 2020 on the Company's website at **www.jxrqgs.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.jxrqgs.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Wednesday, 15 July 2020;
- from the "Allotment Result" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m., Wednesday, 15 July 2020 to 12:00 midnight, Tuesday, 21 July 2020;

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 15 July 2020 to Monday, 20 July 2020 (excluding Saturday, Sunday and public holiday in Hong Kong);

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 July 2020 to Friday, 17 July 2020 at all the receiving bank's designated outlets.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, BOCOM International Securities, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or BOCOM International Securities believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$12.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 15 July 2020.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or around Wednesday, 15 July 2020. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m., Thursday, 16 July 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 July 2020 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 15 July 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 15 July 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 15 July 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in the paragraph headed "11. Publication of Results" in this section above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. Wednesday, 15 July 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 July 2020, or such other date as notified by the Company as the date of despatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 15 July 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 15 July 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in the paragraph headed "11. Publication of Results" in this section above on Wednesday, 15 July 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m., Wednesday, 15 July 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 15 July 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 15 July 2020.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Ernst & Young
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30 June 2020

The Directors
JiaXing Gas Group Co., Ltd.
BOCOM International (Asia) Limited
LY Capital Limited

Dear Sirs,

We report on the historical financial information of JiaXing Gas Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-97, which comprises the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017, 2018 and 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-97 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2020 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2017, 2018 and 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends proposed by the Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December 2017	2018	2019
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	883,604	1,258,782	1,330,332
Cost of sales		(731,983)	(1,088,525)	(1,133,267)
Gross profit		151,621	170,257	197,065
Other income and gains	*6*	5,510	2,256	1,298
Selling and distribution expenses		(19,358)	(22,565)	(21,878)
Administrative expenses		(37,470)	(41,868)	(43,097)
Impairment losses on financial and contract assets, net		(1,075)	1,023	60
Other expenses		(339)	(4,179)	(3,898)
Finance costs	*8*	(22,795)	(17,850)	(19,261)
Share of profits and losses of:				
Joint ventures		2,624	(472)	(3,110)
Associates		4,979	9,030	10,163
PROFIT BEFORE TAX	*7*	83,697	95,632	117,342
Income tax expense	*11*	(19,354)	(22,305)	(27,976)
PROFIT FOR THE YEAR		64,343	73,327	89,366
Attributable to:				
Owners of the parent		62,299	70,342	86,898
Non-controlling interests		2,044	2,985	2,468
		64,343	73,327	89,366
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted				
– For profit for the year (RMB)	*13*	0.62	0.70	0.87

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2017**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR		64,343	73,327	89,366
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		64,343	73,327	89,366
Attributable to:				
Owners of the parent		62,299	70,342	86,898
Non-controlling interests		2,044	2,985	2,468
		64,343	73,327	89,366

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2017	2018	2019
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	511,732	502,914	482,910
Investment properties	15	222,205	216,330	218,061
Other intangible assets	16	450	1,696	2,415
Financial assets at fair value through profit or loss	25	–	16,880	14,763
Investments in joint ventures	17	104,261	167,139	161,929
Investments in associates	18	15,518	20,296	11,175
Deferred tax assets	19	151,924	149,871	150,710
Right-of-use assets	34	136,649	128,785	130,434
Other non-current assets	23	32,713	14,605	14,450
Total non-current assets		1,175,452	1,218,516	1,186,847
CURRENT ASSETS				
Inventories	20	4,852	7,740	8,314
Trade and bills receivables	21	34,172	39,568	49,125
Contract assets	22	177	381	1,224
Prepayments, other receivables and other assets	23	33,854	20,298	36,545
Financial assets at fair value through profit or loss	25	3,047	2,772	2,476
Pledged deposits	26	7,276	5,257	7,092
Cash and cash equivalents	26	51,297	86,242	63,146
Total current assets		134,675	162,258	167,922
CURRENT LIABILITIES				
Trade and bills payables	27	107,932	114,198	100,385
Other payables and accruals	28	78,023	67,527	64,154
Contract liabilities	29	75,132	77,188	85,347
Interest-bearing bank borrowings	30	167,500	213,000	173,400
Tax payable		10,970	4,848	10,558
Lease liabilities	34	24,700	18,468	9,831
Total current liabilities		464,257	495,229	443,675
NET CURRENT LIABILITIES		(329,582)	(332,971)	(275,753)
TOTAL ASSETS LESS CURRENT LIABILITIES		845,870	885,545	911,094
NON-CURRENT LIABILITIES				
Contract liabilities	29	404,021	390,920	379,984
Interest-bearing bank borrowings	30	11,000	–	20,000
Lease liabilities	34	165,451	156,603	154,281
Total non-current liabilities		580,472	547,523	554,265
NET ASSETS		265,398	338,022	356,829
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	100,000	100,000	100,000
Reserves	32	153,778	224,120	241,018
		253,778	324,120	341,018
Non-controlling interests		11,620	13,902	15,811
Total equity		265,398	338,022	356,829

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital *RMB'000* *(note 31)*	**Capital reserve** *RMB'000* *(note 32)*	**Statutory surplus reserve** *RMB'000* *(note 32)*	**Special reserve – safety fund** *RMB'000* *(note 32)*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2017	100,000	6,949*	29,658*	3,198*	61,674*	201,479	10,137	211,616
Profit and total comprehensive income for the year	–	–	–	–	62,299	62,299	2,044	64,343
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(561)	(561)
Special reserve – safety fund	–	–	–	1,615	(1,615)	–	–	–
Final 2016 dividend declared *(note 12)*	–	–	–	–	(10,000)	(10,000)	–	(10,000)
Transfer from retained profits	–	–	7,510	–	(7,510)	–	–	–
At 31 December 2017 and 1 January 2018	100,000	6,949*	37,168*	4,813*	104,848*	253,778	11,620	265,398
Profit and total comprehensive income for the year	–	–	–	–	70,342	70,342	2,985	73,327
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(703)	(703)
Special reserve – safety fund	–	–	–	3,589	(3,589)	–	–	–
Transfer from retained profits	–	–	8,547	–	(8,547)	–	–	–
At 31 December 2018 and 1 January 2019	100,000	6,949*	45,715*	8,402*	163,054*	324,120	13,902	338,022
Profit and total comprehensive income for the year	–	–	–	–	86,898	86,898	2,468	89,366
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(559)	(559)
Special reserve – safety fund	–	–	–	2,523	(2,523)	–	–	–
Final 2018 dividend declared *(note 12)*	–	–	–	–	(70,000)	(70,000)	–	(70,000)
Transfer from retained profits	–	–	8,036	–	(8,036)	–	–	–
At 31 December 2019	100,000	6,949*	53,751*	10,925	169,393*	341,018	15,811	356,829

* These reserve accounts comprise the consolidated reserves of RMB153,778,000, RMB224,120,000 and RMB241,018,000 in the consolidated statements of financial position as at 31 December 2017, 2018 and 2019, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2017	2018	2019
		Year ended 31 December		
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		83,697	95,632	117,342
Adjustments for:				
Share of profits of associates		(4,979)	(9,030)	(10,163)
Share of profits and losses of joint ventures		(2,624)	472	3,110
Finance costs	8	22,795	17,850	19,261
Depreciation of property, plant and equipment	14	38,536	42,598	43,015
Depreciation of right-of-use assets	34	7,731	7,833	8,454
Depreciation of investment properties	15	6,583	6,594	6,870
Amortisation of other intangible assets	16	169	454	925
Provision/(reversal of provision) for trade and other receivables	7	1,075	(1,023)	(60)
Fair value loss/(gain), net:				
Financial assets at fair value through profit or loss	7	46	3,507	2,611
(Gain)/loss on disposal of items of property, plant and equipment	7	(1,071)	35	1,663
Loss on disposal of a joint venture		151	–	–
Interest income	6	(3,838)	(726)	(840)
Dividends received from financial assets at fair value through profit or loss	6	(113)	(135)	(113)
		148,158	164,061	192,075
Increase in trade and bills receivables		(7,946)	(4,418)	(9,492)
Decrease/(increase) in contract assets		223	(204)	(843)
Decrease/(increase) in prepayments, other receivables and other assets		125,375	11,709	(16,097)
Increase in inventories		(1,221)	(2,888)	(574)
Increase/(decrease) in trade and bills payables		9,475	6,266	(13,813)
Increase/(decrease) in other payables and accruals		4,253	3,745	(983)
Decrease in contract liabilities		(230)	(11,045)	(2,777)
Cash generated from operations		278,087	167,226	147,496
Interest received		874	486	620
Tax paid		(25,067)	(26,374)	(23,105)
Net cash flows from operating activities		253,894	141,338	125,011

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		2,964	240	220
Decrease/(increase) in pledged time deposits		2,903	2,019	(1,835)
Purchases of items of property, plant and equipment		(56,824)	(37,988)	(34,919)
Proceeds from disposal of items of property, plant and equipment		1,474	–	–
Purchases of investment properties		(220)	–	–
Additions to other intangible assets		(106)	(1,700)	(1,644)
Addition to right-of-use assets		(17,634)	–	–
Investment in an associate		(1,600)	–	–
Investment in a joint venture		(86,700)	(63,350)	(400)
Advances of loans to related parties		(15,503)	–	–
Collection of loans to related parties		146,289	–	–
Dividends received from associates		5,725	4,252	19,284
Dividends received from a joint venture		2,500	–	2,500
Proceeds from disposal of subsidiaries		37,540	–	–
Proceeds from disposal of a joint venture		349	–	–
Purchase of financial assets at fair value through profit or loss		(195)	(54,162)	(14,252)
Proceeds from disposal of financial assets at fair value through profit or loss		–	54,050	14,054
Dividends received from financial assets at fair value through profit or loss		113	135	113
Net cash flows generated from/(used in) investing activities		21,075	(96,504)	(16,879)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		–	(10,000)	(70,000)
Dividends paid to non-controlling shareholders		(561)	(703)	(559)
Interest paid		(14,509)	(9,375)	(10,147)
New interest-bearing bank borrowings		221,000	244,000	278,400
Repayment of interest-bearing bank borrowings		(473,150)	(209,500)	(298,000)
Payment of lease liabilities		(4,724)	(24,311)	(30,922)
Net cash flows used in financing activities		(271,944)	(9,889)	(131,228)

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,025	34,945	(23,096)
Cash and cash equivalents at beginning of year		48,272	51,297	86,242
CASH AND CASH EQUIVALENTS AT END OF YEAR		51,297	86,242	63,146
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances as stated in the statements of financial position		58,573	91,499	70,238
Pledged deposits	26	(7,276)	(5,257)	(7,092)
Cash and cash equivalents as stated in the statements of cash flows		51,297	86,242	63,146

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2017	2018	2019
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	395,453	388,822	365,743
Investment properties	15	254,609	247,801	248,601
Other intangible assets		356	1,623	2,363
Financial assets at fair value through profit or loss	25	–	16,880	14,763
Investments in joint ventures	17	104,261	167,139	161,929
Investments in associates	18	15,518	20,296	11,175
Investments in subsidiaries		37,400	49,400	49,400
Deferred tax assets	19	126,210	123,058	117,272
Right-of-use assets	34	119,248	111,773	113,810
Other non-current assets	23	30,506	13,884	13,708
Total non-current assets		1,083,561	1,140,676	1,098,764
CURRENT ASSETS				
Inventories	20	783	1,578	2,328
Trade and bills receivables	21	27,241	29,949	35,317
Contract assets	22	171	381	1,161
Prepayments, other receivables and other assets	23	48,887	29,242	28,705
Financial assets at fair value through profit or loss	25	3,047	2,772	2,476
Pledged deposits	26	7,276	5,257	7,092
Cash and cash equivalents	26	45,229	58,260	43,876
Total current assets		132,634	127,439	120,955
CURRENT LIABILITIES				
Trade and bills payables	27	86,560	97,356	88,803
Other payables and accruals	28	63,688	54,830	46,299
Contract liabilities	29	68,736	68,443	63,579
Interest-bearing bank borrowings	30	153,000	185,000	164,400
Tax payable		8,419	–	–
Lease liabilities	34	24,700	18,468	9,831
Total current liabilities		405,103	424,097	372,912
NET CURRENT LIABILITIES		(272,469)	(296,658)	(251,957)
TOTAL ASSETS LESS CURRENT LIABILITIES		811,092	844,018	846,807
NON-CURRENT LIABILITIES				
Contract liabilities	29	362,321	342,189	326,160
Interest-bearing bank borrowings	30	–	–	20,000
Lease liabilities	34	165,451	156,603	154,281
Total non-current liabilities		527,772	498,792	500,441
NET ASSETS		283,320	345,226	346,366
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	100,000	100,000	100,000
Reserves	32	183,320	245,226	246,366
Total equity		283,320	345,226	346,366

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the PRC. The registered office of the Company is located at 5th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, PRC.

On 23 March 2016, 16 March 2017, 3 January 2018 and 18 July 2019, the concert parties, namely Zhejiang Taiding Investment Company Limited ("Taiding"), Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) entered into concert party agreements with respect to their interests in the Company. Pursuant to the concert party agreements, Mr. Xu Songqiang, Mr. Liu Zhenxiong, Ms. Xu Yanrui and Ms. Xu Hua agreed to delegate their voting rights at general meetings of the Company to Taiding for each of the years of 2016, 2017, 2018, 2019 and 2020, respectively. As at the date of this report, the concert parties, as a group of shareholders, held an approximately 31.72% equity interest of the Company, while Jiaxing City Investment & Development Group Co., Ltd. held an approximately 32.76% equity interest of the Company. Accordingly, there were no controlling shareholders for the Company.

During the Relevant Periods, the Group was principally engaged in (i) the sale of gas, mainly piped natural gas ("PNG") (under the concessions), liquefied natural gas ("LNG") and liquefied petroleum gas ("LPG") in Jiaxing; (ii) the provision of construction installation services; and (iii) others, including the provision of natural gas transportation services, the sale of vapour and construction materials, and the leasing of properties in Mainland China.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Date and place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Jiaxing Gangqu Natural Gas Co., Ltd.[(a)] ("Gangqu Gas") 嘉興市港區天然氣有限公司	PRC/Mainland China 15 August 2003	RMB16,000,000	65	–	Distribution and sales of natural gas, the provision of construction and installation services of gas pipelines network
Jiaxing Jia'an Gas Technology Service Co., Ltd.[(a)] ("Jia'an") 嘉興市佳安燃氣技術服務有限公司	PRC/Mainland China 19 December 2006	RMB10,000,000	100	–	Distribution and sales of gas pipes and equipment and gas technology consulting service
Jiaxing Jie'an Transportation Co., Ltd.[(a)] ("Jie'an") 嘉興市捷安運輸有限公司	PRC/Mainland China 4 September 2006	RMB5,000,000	80	20	Transportation of LNG and compressed natural gas
Jiaxing Jia'ran Liquefied Gas Co., Ltd.[(a)] ("Jia'ran Liquefied Gas") 嘉興市嘉燃液化氣有限公司	PRC/Mainland China 16 April 2012	RMB5,000,000	100	–	Distribution and sales of LPG

Name	Date and place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Jiaxing Jia'ran New Energy Co., Ltd.[(a)] ("Jia'ran New Energy") 嘉興市嘉燃新能源有限公司	PRC/Mainland China 3 August 2016	RMB20,000,000	100	–	Construction and operation of new energy facilities

(a) The statutory financial statements were not audited by Ernst & Young, Certified Public Accountants in Hong Kong, or another member firm of the Ernst & Young global network.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss ("FVTPL") which have been measured at fair value.

2.2 GOING CONCERN

The net current liabilities of the Group as at 31 December 2019 amounted to approximately RMB275,753,000. The Directors have prepared the Historical Financial Information on a going concern basis notwithstanding the net current liabilities of the Group because the Directors have considered the Group's available sources of funds as follows:

(1) The Group's expected net cash inflows from operating activities in the foreseeable future; and

(2) Unutilised banking facilities of approximately RMB544.5 million as at 31 December 2019.

Having considered the foregoing, the prospective profitable business, available internal financial resources and banking facilities, the Directors are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the Historical Financial Information on a going concern basis.

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 the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 January 2022

4 No mandatory effective date yet determined but available for adoption

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 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 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 IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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).

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.

Investments in associates and joint ventures

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

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

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

The Group's share of the post-acquisition results and other comprehensive income of associates 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 associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investment in associates or joint ventures.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net 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 equity investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information 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 Historical Financial Information 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 of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and goodwill), 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.

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 of the Relevant Periods as to whether there is any 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 depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or 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.

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.

Expenditures 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 or 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	15-50 years
Gas pipelines	20 years
Plant and machinery	3-15 years
Motor vehicles	4-10 years
Furniture and office equipment	3-5 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 or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of 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 and others

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Prepaid land lease payments	50 years
Buildings	2-4 years
Plant and machinery	14-27 years

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the lease of low-value asset recognition exemption to leases of office equipment that are consider to be of low value (i.e., below RMB35,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTPL.

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

In order for a financial asset to be classified and measured at amortised cost, 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 FVTPL

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.

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

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

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

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. 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 the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers 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 and bills 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 plus in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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, cancelled, or expires.

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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 the consolidated statements of profit or loss while the Group decreases its retained profits when it recognises the special reserve – safety fund.

Income tax

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

Current tax assets and liabilities for the current and prior periods 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 each of the Relevant Periods, 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 each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, and the carry-forward 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 carry forward 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 to deductible temporary differences associated with investments in subsidiaries and associates, 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 of the Relevant Periods 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 assets 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 assets 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 each of the Relevant Periods.

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, 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 or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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 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) Sales 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 installation and management services of gas pipelines

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

(c) Provision of construction services

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

(d) Provision of natural gas transportation services

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

(e) Sales of properties

Revenues are recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides benefits which are received and consumed simultaneously by the purchaser; or
- creates and enhances an asset that the purchaser controls as the Group performs; or

- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Revenue from other sources

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

Other income

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

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

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

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 14% of their payroll costs to the central pension scheme. The contributions are charged to the statement of 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 the note 12 to the Historical Financial Information.

Foreign currencies

The Historical Financial Information is 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 each of the Relevant Periods. All differences arising on settlement or translation of monetary items are taken to the statement of 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 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 Historical Financial Information 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 Historical Financial Information:

Revenue from contracts with customers

The Group has applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) Determining the timing of satisfaction of construction services

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

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

Classification between investment properties and owner-occupied properties

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

Property lease classification – Group as lessor

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

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short noncancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, 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 at the end of each of the Relevant Periods. 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 and contract assets

The Group uses a provision matrix to calculate ECLs for trade and bills 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 energy industry sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 21 and note 22 to the Historical Financial Information.

(iii) Leases – Estimating the incremental borrowing rate

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

(iv) 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.

(v) Useful lives of intangible assets

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

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

The Group receives fees from customers in advance in exchange for the installation and management of gas pipelines to the urban natural gas pipeline network. These fees are received in advance and gradually amortised. The Group determines the estimated amortisation period of fifteen years for its revenue recognition. This estimate is based on the Group's historical experience of the actual service period and the strength of the Group's business relationship with each individual customer. It could differ significantly based on the customer's profile, expected term of the relationship and the strength of the customer's business relationship established with the Group. Generally, amortisation is calculated on the straight-line basis for fifteen years. The carrying amounts of installation and management services in the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 were RMB450,053,000, RMB438,847,000 and RMB426,700,000, respectively, details of which are set out in note 29 to the Historical Financial Information.

(vii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no carrying value of deferred tax assets relating to recognised tax losses at 31 December 2017, 2018 and 2019. There were no unrecognised tax losses at 31 December 2017, 2018 and 2019. Further details are contained in note 19 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	883,604	1,258,782	1,330,332

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	1,023,528	1,051,765	1,021,374

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of approximately RMB106,967,000 (12% of the total sales), RMB151,223,000 (12% of the total sales) and RMB133,411,000 (10% of the total sales) for the years ended 31 December 2017 and 2018 and 2019 was derived from sales by the natural gas operation segment to a single customer.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sales of goods	762,676	1,115,085	1,200,639
Provision of construction services	53,670	75,981	63,215
Provision of installation and management services	52,717	53,335	52,931
Provision of transportation services	9,084	7,411	5,907
Others	67	56	113
Revenue from other sources			
Gross rental income	11,818	13,604	12,959
	890,032	1,265,472	1,335,764
Less: Government surcharges	(6,428)	(6,690)	(5,432)
	883,604	1,258,782	1,330,332

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services			
Sales of PNG	686,816	985,588	1,081,889
Sales of LNG	5,791	13,601	11,862
Sales of LPG	48,049	87,807	75,554
Sales of vapour	7,379	18,708	21,054
Sales of construction materials	14,641	9,381	10,280
Provision of construction services	53,670	75,981	63,215
Provision of installation and management services	52,717	53,335	52,931
Provision of gas transportation services	9,084	7,411	5,907
Others	67	56	113
	878,214	1,251,868	1,322,805
Timing of revenue recognition			
Goods or services transferred at a point in time	771,827	1,122,552	1,206,659
Services transferred over time	106,387	129,316	116,146
	878,214	1,251,868	1,322,805

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

Revenue recognised that was included in contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Installation and management services	43,301	46,032	47,927
Sales of goods	17,863	20,270	16,672
Construction services	7,968	8,830	12,041
	69,132	75,132	76,640

There was no sale of goods not previously recognised due to constraints on variable consideration at the end of each of the Relevant Periods.

(ii) Performance obligations

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

Sales of goods

The performance obligation is satisfied upon delivery of the PNG, LNG, LPG, vapour and construction materials, and payment is generally due within 30 to 180 days from delivery. In addition, the Group received prepayments before delivery from part of its customers.

Construction and installation and management of gas pipelines

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 and management.

Gas transportation

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	75,132	77,188	85,347
After one year	404,021	390,920	379,984
	479,153	468,108	465,331

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

6. OTHER INCOME AND GAINS

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	874	486	620
Interest income from related parties	2,963	171	90
Government grants	286	326	69
Interest income from financial assets at fair value through profit or loss	1	69	130
Dividends received from financial assets at fair value through profit or loss	113	135	113
Others	202	1,069	276
	4,439	2,256	1,298
Gains			
Gain on disposal of items of property, plant and equipment	1,071	–	–
	5,510	2,256	1,298

7. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	674,136	1,013,162	1,071,880
Cost of services provided	57,847	75,363	61,387
Employee benefit expense (excluding Directors' and chief executive's remuneration *(note 9)*):			
Wages and salaries	40,394	47,957	52,106
Pension scheme contributions	2,844	3,498	4,058
Social security contributions and accommodation benefits	4,667	6,004	6,435
Auditor's remuneration	642	1,799	139
(Gain)/loss on disposal of items of property, plant and equipment	(1,071)	35	1,663
Depreciation of property, plant and equipment *(note 14)*	38,536	42,598	43,015
Depreciation of investment properties *(note 15)*	6,583	6,594	6,870
Amortisation of intangible assets *(note 16)*	169	454	925
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net *(note 21)*	1,121	(978)	(65)
Impairment of financial assets included in prepayments, other receivables and other assets	(46)	(45)	5
Depreciation of right-of-use assets *(note 34)*	7,731	7,833	8,454
Interest expenses on lease liabilities *(note 34)*	9,531	9,181	9,850
Lease payments not included in the measurement of lease liabilities *(note 34)*	67	89	317
Fair value loss, net:			
Financial assets at fair value through profit or loss	46	3,507	2,611
Bank interest income *(note 6)*	(874)	(486)	(620)
Interest income from related parties *(note 6)*	(2,963)	(171)	(90)
Interest income from financial assets at fair value through profit or loss *(note 6)*	(1)	(69)	(130)
Loss on disposal of a joint venture	151	–	–

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Interest on interest-bearing bank borrowings wholly repayable within five years	14,652	9,455	9,924
Interest expense on leases liabilities *(note 34)*	9,531	9,181	9,850
Total interest expense on financial liabilities not at fair value through profit or loss	24,183	18,636	19,774
Less: Interest capitalised	(1,388)	(786)	(513)
	22,795	17,850	19,261

9. DIRECTORS' REMUNERATION

Directors', supervisors' and chief executive's remuneration for the Relevant Periods is set out below:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Fees	120	120	120
Other emoluments:			
Salaries, allowances and benefits in kind	447	453	465
Performance-related bonuses	434	664	706
Pension scheme contributions	131	146	175
	1,132	1,383	1,466

(a) Independent non-executive directors

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

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Xu Lin De (appointed on 10 January 2017)	60	60	60
Yu You Da (appointed on 10 January 2017)	60	60	60
	120	120	120

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

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

Year ended 31 December 2017	Salaries, allowances, and benefits in kind *RMB'000*	Performance-related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors				
Sun Lian Qing (Chief executive)	234	227	60	521
Xu Song Qiang	213	201	60	474
Non-executive directors				
Fu Fang Ying (resigned on 10 January 2017)	–	–	–	–
Zhou Fu Ming (resigned on 10 January 2017)	–	–	–	–
Jiang Ming En	–	–	–	–
Supervisor				
Zhang Zheng Ming	–	–	–	–
Wang Dong Zhi	–	–	–	–
Liu Zhen Xiong (resigned on 10 January 2017)	–	–	–	–
Tang Jin (appointed on 10 January 2017)	–	6	11	17
	447	434	131	1,012

Year ended 31 December 2018	Salaries, allowances, and benefits in kind *RMB'000*	Performance-related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors				
Sun Lian Qing (Chief Executive)	237	349	65	651
Xu Song Qiang	216	308	65	589
Non-executive directors				
Jiang Ming En (resigned on 16 January 2018)	–	–	–	–
Shen Hong Liang (appointed on 26 January 2018 and resigned on 26 July 2018)	–	–	–	–
Zheng Huan Li (appointed on 26 July 2018)	–	–	–	–
Supervisor				
Zhang Zheng Ming (resigned on 12 August 2018)	–	–	–	–
Wang Dong Zhi	–	–	–	–
Tang Jin	–	7	16	23
Liu Wen (appointed on 12 August 2018)	–	–	–	–
	453	664	146	1,263

Year ended 31 December 2019	Salaries, allowances, and benefits in kind *RMB'000*	Performance-related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors				
Sun Lian Qing (Chief Executive)	234	331	69	634
Xu Song Qiang	213	295	69	577
Non-executive directors				
Zheng Huan Li (resigned on 10 March 2019 and appointed again on 19 September 2019)	–	–	–	–
He Yu Jian (appointed on 10 March 2019)	–	–	–	–
Fu Song Quan (appointed on 29 July 2019)	–	–	–	–
Supervisor				
Liu Wen	–	–	–	–
Wang Dong Zhi	–	–	–	–
Xu Shu Ping (appointed on 29 July 2019)	18	76	27	121
Tang Jin (resigned on 29 July 2019)	–	4	10	14
	465	706	175	1,346

10. FIVE HIGHEST PAID EMPLOYEES

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

	Year ended 31 December 2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*
Salaries, allowances and benefits in kind	1,031	914	1,049
Performance related bonuses	1,002	1,675	1,458
Pension scheme contributions	268	303	304
	2,301	2,892	2,811

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

	Year ended 31 December 2017	2018	2019
Nil to RMB500,000	3	–	–
RMB500,001 to RMB1,000,000	–	3	3
	3	3	3

11. 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 Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

The major components of income tax expense are as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Income tax in the PRC for the year	18,130	20,252	28,815
Deferred *(note 19)*	1,224	2,053	(839)
Total tax charge for the year	19,354	22,305	27,976

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

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	83,697	95,632	117,342
Tax at the statutory tax rate	20,924	23,908	29,336
Expenses not deductible for tax	331	536	431
Profits attributable to joint ventures and associates	(1,901)	(2,139)	(1,791)
Tax charge at the Group's effective rate	19,354	22,305	27,976

12. DIVIDENDS

Proposed dividends

Group and Company

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
RMB0.10 per ordinary share for 2017 and RMB0.70 per ordinary share for 2019	10,000	–	70,000

The board of directors resolved to propose a final dividend for the year ended 31 December 2016 of RMB0.10 per ordinary share amounting to RMB10,000,000. It was approved by the shareholders at the general meeting of the Company on 16 December 2017.

The board of directors resolved to propose an interim dividend for the year ended 31 December 2018 of RMB0.10 per ordinary share amounting to RMB10,000,000. It was approved by the shareholders at the general meeting of the Company on 26 March 2019.

The board of directors resolved to propose a final dividend for the year ended 31 December 2018 of RMB0.60 per ordinary share amounting to RMB60,000,000. It was approved by the shareholders at the general meeting of the Company on 20 June 2019.

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

The calculation of the basic earnings per share amounts for the Relevant Periods is based on the profit attributable to ordinary equity holders of the parent for the years ended 31 December 2017, 2018 and 2019 and the weighted average number of ordinary shares in issue during the years ended 31 December 2017, 2018 and 2019.

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	62,299	70,342	86,898

	Number of shares		
	2017	**2018**	**2019**
	'000	*'000*	*'000*
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	100,000	100,000	100,000

Note: At 1 January 2017, the Company was a limited liability company with a paid-up capital of RMB100,000,000. On 18 January 2017, the Company was converted into a joint stock company with limited liability. Upon conversion, the capital of the Company is divided into 100,000,000 ordinary shares of RMB1.00 each.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *RMB'000*	Gas pipelines *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
31 December 2017								
At 1 January 2017:								
Cost	107,894	465,157	105,467	20,516	7,413	33,953	16,154	756,554
Accumulated depreciation	(14,813)	(152,243)	(54,659)	(13,672)	(5,515)	–	(9,307)	(250,209)
Net carrying amount	93,081	312,914	50,808	6,844	1,898	33,953	6,847	506,345
At 1 January 2017, net of accumulated depreciation	93,081	312,914	50,808	6,844	1,898	33,953	6,847	506,345
Additions	491	–	1,538	3,965	451	38,774	2,700	47,919
Depreciation provided during the year *(note 7)*	(3,425)	(21,335)	(9,190)	(2,001)	(745)	–	(1,840)	(38,536)
Disposals	–	–	–	(403)	–	–	–	(403)
Transferred from construction in progress	–	14,616	10,881	–	–	(25,497)	–	–
Transferred to investment properties	(3,593)	–	–	–	–	–	–	(3,593)
At 31 December 2017, net of accumulated depreciation	86,554	306,195	54,037	8,405	1,604	47,230	7,707	511,732
At 31 December 2017:								
Cost	104,451	479,773	117,886	19,622	7,864	47,230	18,854	795,680
Accumulated depreciation	(17,897)	(173,578)	(63,849)	(11,217)	(6,260)	–	(11,147)	(283,948)
Net carrying amount	86,554	306,195	54,037	8,405	1,604	47,230	7,707	511,732

Group

	Buildings	Gas pipelines	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018								
At 31 December 2017 and at 1 January 2018:								
Cost	104,451	479,773	117,886	19,622	7,864	47,230	18,854	795,680
Accumulated depreciation	(17,897)	(173,578)	(63,849)	(11,217)	(6,260)	–	(11,147)	(283,948)
Net carrying amount	86,554	306,195	54,037	8,405	1,604	47,230	7,707	511,732
At 1 January 2018, net of accumulated depreciation	86,554	306,195	54,037	8,405	1,604	47,230	7,707	511,732
Additions	104	–	760	1,458	588	31,156	387	34,453
Depreciation provided during the year *(note 7)*	(3,745)	(23,098)	(10,230)	(2,432)	(790)	–	(2,303)	(42,598)
Disposals	–	–	–	–	(35)	–	–	(35)
Transferred from construction in progress	20,003	12,191	15,570	–	–	(47,764)	–	–
Transferred to investment properties	(638)	–	–	–	–	–	–	(638)
At 31 December 2018, net of accumulated depreciation	102,278	295,288	60,137	7,431	1,367	30,622	5,791	502,914
At 31 December 2018:								
Cost	123,689	491,964	134,216	21,080	7,760	30,622	19,241	828,572
Accumulated depreciation	(21,411)	(196,676)	(74,079)	(13,649)	(6,393)	–	(13,450)	(325,658)
Net carrying amount	102,278	295,288	60,137	7,431	1,367	30,622	5,791	502,914

Group

	Buildings	Gas pipelines	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019								
At 31 December 2018 and at 1 January 2019:								
Cost	123,689	491,964	134,216	21,080	7,760	30,622	19,241	828,572
Accumulated depreciation	(21,411)	(196,676)	(74,079)	(13,649)	(6,393)	–	(13,450)	(325,658)
Net carrying amount	102,278	295,288	60,137	7,431	1,367	30,622	5,791	502,914
At 1 January 2019, net of accumulated depreciation	102,278	295,288	60,137	7,431	1,367	30,622	5,791	502,914
Additions	2,244	–	243	428	124	29,116	1,110	33,265
Depreciation provided during the year *(note 7)*	(4,139)	(23,043)	(10,695)	(2,159)	(535)	–	(2,444)	(43,015)
Disposals	(1,479)	–	(15)	(168)	(1)	–	–	(1,663)
Transferred from construction in progress	–	18,861	4,776	–	–	(23,637)	–	–
Transferred to investment properties	(8,591)	–	–	–	–	–	–	(8,591)
At 31 December 2019, net of accumulated depreciation	90,313	291,106	54,446	5,532	955	36,101	4,457	482,910
At 31 December 2019:								
Cost	114,065	510,825	139,206	20,124	7,870	36,101	20,351	848,542
Accumulated depreciation	(23,752)	(219,719)	(84,760)	(14,592)	(6,915)	–	(15,894)	(365,632)
Net carrying amount	90,313	291,106	54,446	5,532	955	36,101	4,457	482,910

As at 31 December 2017, 2018 and 2019, the Group's property, plant and equipment with a carrying value of RMB27,333,000, RMB30,801,000 and RMB4,120,000, respectively, were pledged to secure interest-bearing bank and other borrowings (note 30).

Company

	Buildings	Gas pipelines	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017								
At 1 January 2017:								
Cost	64,130	399,903	102,206	6,138	6,280	19,735	15,626	614,018
Accumulated depreciation	(8,050)	(130,758)	(52,996)	(4,760)	(4,758)	–	(9,161)	(210,483)
Net carrying amount	56,080	269,145	49,210	1,378	1,522	19,735	6,465	403,535
At 1 January 2017, net of accumulated depreciation	56,080	269,145	49,210	1,378	1,522	19,735	6,465	403,535
Additions	491	–	810	781	425	22,568	2,086	27,161
Depreciation provided during the year	(2,141)	(18,201)	(8,510)	(384)	(618)	–	(1,704)	(31,558)
Disposals	–	–	–	(92)	–	–	–	(92)
Transferred from construction in progress	–	13,002	11,161	–	–	(24,163)	–	–
Transferred to investment properties	(3,593)	–	–	–	–	–	–	(3,593)
At 31 December 2017, net of accumulated depreciation	50,837	263,946	52,671	1,683	1,329	18,140	6,847	395,453
At 31 December 2017:								
Cost	60,687	412,905	114,177	6,827	6,705	18,140	17,712	637,153
Accumulated depreciation	(9,850)	(148,959)	(61,506)	(5,144)	(5,376)	–	(10,865)	(241,700)
Net carrying amount	50,837	263,946	52,671	1,683	1,329	18,140	6,847	395,453

Company

	Buildings	Gas pipelines	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018								
At 31 December 2017 and at 1 January 2018:								
Cost	60,687	412,905	114,177	6,827	6,705	18,140	17,712	637,153
Accumulated depreciation	(9,850)	(148,959)	(61,506)	(5,144)	(5,376)	–	(10,865)	(241,700)
Net carrying amount	50,837	263,946	52,671	1,683	1,329	18,140	6,847	395,453
At 1 January 2018, net of accumulated depreciation	50,837	263,946	52,671	1,683	1,329	18,140	6,847	395,453
Additions	104	–	219	322	560	26,268	352	27,825
Depreciation provided during the year	(1,937)	(19,658)	(8,939)	(561)	(702)	–	(1,986)	(33,783)
Disposals	–	–	–	–	(35)	–	–	(35)
Transferred from construction in progress	–	9,804	7,972	–	–	(17,776)	–	–
Transferred to investment properties	(638)	–	–	–	–	–	–	(638)
At 31 December 2018, net of accumulated depreciation	48,366	254,092	51,923	1,444	1,152	26,632	5,213	388,822
At 31 December 2018:								
Cost	59,922	422,709	122,368	7,149	6,573	26,632	18,065	663,418
Accumulated depreciation	(11,556)	(168,617)	(70,445)	(5,705)	(5,421)	–	(12,852)	(274,596)
Net carrying amount	48,366	254,092	51,923	1,444	1,152	26,632	5,213	388,822

Company

	Buildings	Gas pipelines	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019								
At 31 December 2018 and at 1 January 2019:								
Cost	59,922	422,709	122,368	7,149	6,573	26,632	18,065	663,418
Accumulated depreciation	(11,556)	(168,617)	(70,445)	(5,705)	(5,421)	–	(12,852)	(274,596)
Net carrying amount	48,366	254,092	51,923	1,444	1,152	26,632	5,213	388,822
At 1 January 2019, net of accumulated depreciation	48,366	254,092	51,923	1,444	1,152	26,632	5,213	388,822
Additions	2,244	–	12	–	116	17,154	924	20,450
Depreciation provided during the year	(1,556)	(19,980)	(9,547)	(513)	(468)	–	(2,116)	(34,180)
Disposals	(739)	–	(15)	(4)	–	–	–	(758)
Transferred from construction in progress	–	18,425	10,222	–	–	(28,647)	–	–
Transferred to investment properties	(8,591)	–	–	–	–	–	–	(8,591)
At 31 December 2019, net of accumulated depreciation	39,724	252,537	52,595	927	800	15,139	4,021	365,743
At 31 December 2019:								
Cost	51,038	441,134	132,573	7,054	6,689	15,139	18,989	672,616
Accumulated depreciation	(11,314)	(188,597)	(79,978)	(6,127)	(5,889)	–	(14,968)	(306,873)
Net carrying amount	39,724	252,537	52,595	927	800	15,139	4,021	365,743

As at 31 December 2017, 2018 and 2019, the Company's property, plant and equipment with a carrying value of RMB25,874,000, RMB29,456,000 and RMB4,120,000, respectively, were pledged to secure interest-bearing bank and other borrowings (note 30).

15. INVESTMENT PROPERTIES

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At beginning of year	246,696	250,850	251,829
Additions	220	–	–
Transferred from property, plant and equipment	3,934	869	9,509
Transferred from right-of-use assets	–	110	14
At end of year	250,850	251,829	261,352
Accumulated depreciation:			
At beginning of year	21,721	28,645	35,499
Charge for the year *(note 7)*	6,583	6,594	6,870
Transferred from property, plant and equipment	341	231	918
Transferred from right-of-use assets	–	29	4
At end of year	28,645	35,499	43,291
Net carrying amount:			
At end of year	222,205	216,330	218,061
At beginning of year	224,975	222,205	216,330

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

The investment properties are leased to third parties and related parties under operating leases, further summary details of which are included in note 37 to the Historical Financial Information.

As at 31 December 2017, 2018 and 2019, the Group's investment properties with a carrying value of RMB166,029,000, RMB143,435,000 and RMB194,781,000, respectively, were pledged to secure interest-bearing bank borrowings (note 30).

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

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Medium term leases	222,205	216,330	218,061

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At beginning of year	281,100	285,254	286,233
Additions	220	–	–
Transferred from property, plant and equipment	3,934	869	9,509
Transferred from right-of-use assets	–	110	14
At end of year	285,254	286,233	295,756
Accumulated depreciation:			
At beginning of year	22,789	30,645	38,432
Charge for the year	7,515	7,527	7,801
Transferred from property, plant and equipment	341	231	918
Transferred from right-of-use assets	–	29	4
At end of year	30,645	38,432	47,155
Net carrying amount:			
At end of year	254,609	247,801	248,601
At beginning of year	258,311	254,609	247,801

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

The investment properties are leased to third parties and related parties under operating leases, further summary details of which are included in note 37 to the Historical Financial Information.

As at 31 December 2017, 2018 and 2019, the Company's investment properties with a carrying value of RMB166,029,000, RMB143,435,000 and RMB194,595,000, respectively, were pledged to secure interest-bearing bank borrowings (note 30).

Fair value hierarchy

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

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1)	*(Level 2)*	*(Level 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed				
Investment properties	–	–	289,942	289,942

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1)	*(Level 2)*	*(Level 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed				
Investment properties	–	–	291,792	291,792

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	**Total**
	(Level 1)	*(Level 2)*	*(Level 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets for which fair values are disclosed				
Investment properties	–	–	292,942	292,942

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

	Valuation technique	Significant unobservable inputs	Range or weighted average 2017	2018	2019
Investment properties	Income approach – Term and Reversion Analysis	Estimated rental value (per square metre and per day)	RMB1.39 to RMB1.48	RMB1.39 to RMB1.48	RMB1.39 to RMB1.48
		Estimated price (per square metre)	RMB6,415	RMB6,481	RMB6,515
		Market yield	4.5%	4.5%	4.5%
		Term yield	4.0%	4.0%	4.0%

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

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

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

16. OTHER INTANGIBLE ASSETS

Group

	Software and others
	RMB'000
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	513
Additions	106
Amortisation provided during the year *(note 7)*	(169)
At 31 December 2017	450
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	450
Additions	1,700
Amortisation provided during the year *(note 7)*	(454)
At 31 December 2018	1,696
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	1,696
Additions	1,644
Amortisation provided during the period *(note 7)*	(925)
At 31 December 2019	2,415

17. INVESTMENTS IN JOINT VENTURES

Group and Company

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	104,261	167,139	161,929

(a) Particulars of the joint ventures are as follows:

Name of company	Nominal value of paid-up/ registered capital	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Zhejiang Hangjiaxin Clean Energy Co., Ltd.*/** ("Hangjiaxin") (浙江杭嘉鑫清潔能源有限公司)	RMB700,000,000	PRC/Mainland China	51%	51%	51%	Construction of docks and LNG warehouses
Jiaxing Gas and Refuelling Station Co., Ltd.* ("Gas and Refuelling Station") (嘉興市加油加氣站有限公司)	RMB30,000,000	PRC/Mainland China	50%	50%	50%	Operation of natural gas refuelling stations
Zhejiang Wuchan Huanneng Wutong Clean Energy Co., Ltd. */*** ("ZJMI") (浙江物產環能物通清潔能源有限公司)	RMB1,000,000	PRC/Mainland China	50%	50%	50%	Provision of service for clean energy

* The statutory financial statements were not audited by Ernst & Young, Certified Public Accountants in Hong Kong or another member firm of the Ernst & Young global network. The English translations of these company names are for reference only. The official names of these companies are in Chinese.

** In July 2017, the Group acquired 34% interests of Hangjiaxin, and in April 2018, the Group acquired another 17% interests from another shareholder of Hangjiaxin. According to the articles of association, the Group owned 34% of the voting right from July 2017 and 51% of the voting right from May 2018, and the financial and operating policy decisions should be made only when two-thirds of the voting right agree. Thus, Hangjiaxin was considered as a joint venture from July 2017.

*** The Group owned 50% interests of ZJMI. According to the articles of association, the Group owned 50% of the voting right and could make a material impact on the financial and operating policy decisions of ZJMI. Thus, ZJMI was considered as a joint venture in 2016. In October 2017, ZJMI was dissolved and ceased to be a joint venture of the Group since then.

(b) The joint ventures had no contingent liabilities as at the end of each of the Relevant Periods.

(c) The Group's outstanding balances and transactions with the joint ventures during the Relevant Periods are disclosed in note 24 and note 37, respectively.

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

The following tables illustrate the summarised financial information of the Group's joint ventures:

Hangjiaxin

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	251,506	153,306	32,121
Non-current assets	3,188	173,629	585,768
Current liabilities	–	(21,984)	(3,075)
Non-current liabilities	–	(40,000)	(331,410)
Net assets	254,694	264,951	283,404

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

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Proportion of the Group's ownership	34%	51%	51%
Group's share of net assets of the joint venture	86,596	147,990	144,617
Carrying amount of the investment	86,596	147,990	144,617
Other income	78	825	2,658
Total expense	(389)	(4,712)	(10,055)
Loss and total comprehensive loss for the year	(311)	(3,887)	(7,397)
Ownership interest	34%	51%	51%
Share of results	(104)	(1,956)	(3,773)

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

Gas and Refuelling Station

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	29,736	33,685	32,052
Non-current assets	6,836	5,780	4,516
Current liabilities	(1,242)	(1,165)	(1,944)
Net assets	35,330	38,300	34,624

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

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets of the joint venture	17,665	19,149	17,312
Carrying amount of the investment	17,665	19,149	17,312
Revenue	74,699	75,497	51,991
Other income	177	192	219
Total expense	(67,602)	(71,724)	(50,778)
Tax	(1,817)	(995)	(108)
Profit and total comprehensive income for the year	5,457	2,970	1,324
Ownership interest	50%	50%	50%
Share of results	2,728	1,484	663
Dividend received	2,500	–	2,500

18. INVESTMENTS IN ASSOCIATES

Group and Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	15,518	20,296	11,175

(a) Particulars of the associates are as follows:

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

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(b) The associates had no contingent liabilities as at the end of each of the Relevant Periods.

(c) The Group's outstanding balances and transactions with the associates during the Relevant Periods are disclosed in note 24 and note 37, respectively.

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

The following tables illustrate the summarised financial information of the Group's associates:

Pinghu Natural Gas

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	79,619	86,378	96,961
Non-current assets	159,604	184,176	221,290
Current liabilities	(102,947)	(129,852)	(203,288)
Non-current liabilities	(104,724)	(95,981)	(95,981)
Net assets	31,552	44,721	18,982

Reconciliation to the Group's interest in the associate:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Proportion of the Group's ownership	39%	39%	39%
Group's share of net assets of the associate	12,013	16,924	7,247
Carrying amount of the investment	12,013	16,924	7,247
Revenue	123,316	195,394	257,156
Other income	966	2,022	1,747
Total expense	(105,344)	(163,759)	(225,968)
Tax	(5,611)	(10,162)	(8,302)
Profit and total comprehensive income for the year	13,327	23,495	24,633
Ownership interest	39%	39%	39%
Share of results	5,197	9,163	9,607
Dividend received	5,725	4,252	19,284

Jiatong New Energy

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	4,450	7,874	7,707
Non-current assets	16,710	14,989	14,782
Current liabilities	(3,636)	(6,006)	(2,848)
Net assets	17,524	16,857	19,641

Reconciliation to the Group's interest in the associate:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Proportion of the Group's ownership	20%	20%	20%
Group's share of net assets of the associate	3,505	3,372	3,928
Carrying amount of the investment	3,505	3,372	3,928
Revenue	17,922	31,485	40,833
Other income	814	1,424	198
Total expense	(19,245)	(33,348)	(37,141)
Tax	(63)	(228)	(1,106)
(Loss)/profit and total comprehensive (loss)/income for the year	(572)	(667)	2,784
Ownership interest	20%	20%	20%
Share of results	(114)	(133)	556

(e) The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Share of an associate's loss for the year	(104)	–	–
Share of an associate's total comprehensive loss	(104)	–	–
Aggregate carrying amount of the Group's investment in an associate	–	–	–

19. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

Group

	Impairment of financial assets *RMB'000*	**Contract liabilities** *RMB'000*	**Accruals and provisions** *RMB'000*	**Total** *RMB'000*
Gross deferred tax assets at 1 January 2017	2,877	115,080	35,191	153,148
Deferred tax charged to the statement of profit or loss during the year *(note 11)*	(675)	(510)	(39)	(1,224)
Gross deferred tax assets at 31 December 2017 and 1 January 2018	2,202	114,570	35,152	151,924
Deferred tax (charged)/credited to the statement of profit or loss during the year *(note 11)*	(258)	(2,138)	343	(2,053)
Gross deferred tax assets at 31 December 2018 and 1 January 2019	1,944	112,432	35,495	149,871
Deferred tax (charged)/credited to the statement of profit or loss during the year *(note 11)*	(14)	(645)	(1,498)	(839)
Gross deferred tax assets at 31 December 2019	1,930	111,787	36,993	150,710

Company

	Impairment of financial assets *RMB'000*	Contract liabilities *RMB'000*	Accruals and provisions *RMB'000*	Total *RMB'000*
Gross deferred tax assets at 1 January 2017	2,486	105,250	21,520	129,256
Deferred tax (charged)/credited to the statement of profit or loss during the year	(820)	(2,553)	327	(3,046)
Gross deferred tax assets at 31 December 2017 and 1 January 2018	1,666	102,697	21,847	126,210
Deferred tax (charged)/credited to the statement of profit or loss during the year	(171)	(3,706)	725	(3,152)
Gross deferred tax assets at 31 December 2018 and 1 January 2019	1,495	98,991	22,572	123,058
Deferred tax credited/(charged) to the statement of profit or loss during the year	(16)	(5,565)	(205)	(5,786)
Gross deferred tax assets at 31 December 2019	1,479	93,426	22,367	117,272

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

There are no deferred tax assets that have not been recognised as at 31 December 2017, 2018 and 2019.

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

20. INVENTORIES

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Construction materials	3,296	5,030	5,701
PNG	902	1,960	2,155
LNG	5	6	12
LPG	649	744	446
	4,852	7,740	8,314

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Construction materials	–	162	161
PNG	778	1,410	2,155
LNG	5	6	12
	783	1,578	2,328

21. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	37,642	41,940	50,665
Bills receivable	–	120	887
	37,642	42,060	51,552
Impairment	(3,470)	(2,492)	(2,427)
	34,172	39,568	49,125

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 is within 180 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	28,917	30,988	35,912
Bills receivable	–	–	373
	28,917	30,988	36,285
Impairment	(1,676)	(1,039)	(968)
	27,241	29,949	35,317

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	34,172	39,568	49,125

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	27,241	29,949	35,317

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

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	4,632	3,470	2,492
Impairment losses, net *(note 7)*	1,121	(978)	(65)
Amount written off as uncollectible	(2,283)	–	–
At end of year	3,470	2,492	2,427

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	3,420	1,676	1,039
Impairment losses, net	539	(637)	(71)
Amount written off as uncollectible	(2,283)	–	–
At end of year	1,676	1,039	968

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

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

Group

As at 31 December 2017

		Past due			
	Current	**Less than 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	0.34%	3.22%	11.24%	100.00%	9.22%
Gross carrying amount (RMB'000)	33,197	962	178	3,305	37,642
Expected credit losses (RMB'000)	114	31	20	3,305	3,470

As at 31 December 2018

		Past due			
	Current	**Less than 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	0.20%	2.27%	8.16%	100.00%	5.92%
Gross carrying amount (RMB'000)	37,696	1,762	245	2,357	42,060
Expected credit losses (RMB'000)	75	40	20	2,357	2,492

As at 31 December 2019

	Current	Past due Less than 6 months	Past due 6 to 12 months	Past due Over 1 year	Total
Expected credit loss rate	0.14%	0.24%	–	100.00%	4.71%
Gross carrying amount (RMB'000)	48,777	418	–	2,357	51,552
Expected credit losses (RMB'000)	69	1	–	2,357	2,427

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

Company

As at 31 December 2017

	Current	Past due Less than 6 months	Past due 6 to 12 months	Past due Over 1 year	Total
Expected credit loss rate	0.40%	3.25%	11.24%	100.00%	5.80%
Gross carrying amount (RMB'000)	26,265	953	178	1,521	28,917
Expected credit losses (RMB'000)	104	31	20	1,521	1,676

As at 31 December 2018

	Current	Past due Less than 6 months	Past due 6 to 12 months	Past due Over 1 year	Total
Expected credit loss rate	0.22%	2.24%	8.57%	100.00%	3.35%
Gross carrying amount (RMB'000)	28,083	1,743	245	917	30,988
Expected credit losses (RMB'000)	62	39	21	917	1,039

As at 31 December 2019

	Current	Past due Less than 6 months	Past due 6 to 12 months	Past due Over 1 year	Total
Expected credit loss rate	0.14%	2.70%	–	100.00%	2.67%
Gross carrying amount (RMB'000)	35,331	37	–	917	36,285
Expected credit losses (RMB'000)	50	1	–	917	968

22. CONTRACT ASSETS

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Construction, installation and management of gas pipelines	177	381	1,224

Contract assets are initially recognised for revenue earned from the construction and installation and management services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

During the Relevant Periods, no allowance for expected credit losses on contract assets was recognised. The Group's trading terms and credit policy with customers are disclosed in note 21 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	177	381	1,224

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customers with similar loss patterns (i.e., by sales type, customer type and rating.) The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Based on evaluations on the expected credit loss rate and the gross carrying amount of the balances, the Directors are of the opinion that the ECL in respect of these balances is considered immaterial.

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Construction and installation and management of gas pipelines	171	381	1,161

Contract assets are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

During the Relevant Periods, no allowance for expected credit losses on contract assets was recognised. The Company's trading terms and credit policy with customers are disclosed in note 21 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within one year	171	381	1,161

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customers with similar loss patterns (i.e., by sales type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. Based on evaluations on the expected credit loss rate and the gross carrying amount of the balances, the Directors are of the opinion that the ECL in respect of these balances is considered immaterial.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	55,874	23,443	26,312
Other receivables	13,308	14,337	29,434
Deposits	2,488	2,181	312
	71,670	39,961	56,058
Impairment	(5,103)	(5,058)	(5,063)
	66,567	34,903	50,995
Classified as			
Prepayments, other receivables and other assets	33,854	20,298	36,545
Other non-current assets	32,713	14,605	14,450
	66,567	34,903	50,995

Note: Since 1 January 2016, the Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9 and considered the historical loss rate adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate.

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 each of the Relevant Periods 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. None of the above prepayments and deposits 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 2017, 2018 and 2019, the loss allowance was assessed to be minimal.

Group

	As at 31 December 2017		
	Deposits	**Other receivables**	**Uncollectable other receivables**
Expected credit loss rate	–	–	100.00%
Gross carrying amount (RMB'000)	2,488	8,205	5,103
Expected credit losses (RMB'000)	–	–	5,103

	As at 31 December 2018		
	Deposits	**Other receivables**	**Uncollectable other receivables**
Expected credit loss rate	–	–	100.00%
Gross carrying amount (RMB'000)	2,181	9,279	5,058
Expected credit losses (RMB'000)	–	–	5,058

	As at 31 December 2019		
	Deposits	**Other receivables**	**Uncollectable other receivables**
Expected credit loss rate	–	–	100.00%
Gross carrying amount (RMB'000)	312	24,371	5,063
Expected credit losses (RMB'000)	–	–	5,063

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

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	6,340	5,103	5,058
Impairment losses, net *(note 7)*	(46)	(45)	5
Amount written off as uncollectible	(1,191)	–	–
At end of year	5,103	5,058	5,063

Except for certain other receivables with carrying amounts of RMB5,103,000, RMB5,058,000 and RMB5,063,000, respectively, as at 31 December 2017, 2018 and 2019, of which a full provision for impairment has been made, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2017, 2018 and 2019, the loss allowance was assessed to be minimal.

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	55,374	26,154	16,459
Due from subsidiaries	18,912	12,051	6,239
Other receivables	9,395	9,108	24,562
Deposits	700	754	99
	84,381	48,067	47,359
Impairment	(4,988)	(4,941)	(4,946)
	79,393	43,126	42,413
Classified as			
Prepayments, other receivables and other assets	48,887	29,242	28,705
Other non-current assets	30,506	13,884	13,708
	79,393	43,126	42,413

Note: Since 1 January 2016, the Company has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9 and considered the historical loss rate adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate.

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 each of the Relevant Periods 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. None of the above prepayments and deposits 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 2017, 2018 and 2019, the loss allowance was assessed to be minimal.

Company

	As at 31 December 2017			
	Deposits	**Due from subsidiaries**	**Other receivables**	**Uncollectable other receivables**
Expected credit loss rate	–	–	–	100.00%
Gross carrying amount (RMB'000)	700	18,912	4,407	4,988
Expected credit losses (RMB'000)	–	–	–	4,988

	As at 31 December 2018			
	Deposits	**Due from subsidiaries**	**Other receivables**	**Uncollectable other receivables**
Expected credit loss rate	–	–	–	100.00%
Gross carrying amount (RMB'000)	754	12,051	4,167	4,941
Expected credit losses (RMB'000)	–	–	–	4,941

	As at 31 December 2019			
	Deposits	**Due from subsidiaries**	**Other receivables**	**Uncollectable other receivables**
Expected credit loss rate	–	–	–	100.00%
Gross carrying amount (RMB'000)	99	6,239	19,616	4,946
Expected credit losses (RMB'000)	–	–	–	4,946

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	6,227	4,988	4,941
Impairment losses, net	(47)	(47)	5
Amount written off as uncollectible	(1,192)	–	–
At end of year	4,988	4,941	4,946

Except for certain other receivables with carrying amounts of RMB4,988,000, RMB4,941,000 and RMB4,946,000, respectively, as at 31 December 2017, 2018 and 2019, of which a full provision for impairment has been made, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2017, 2018 and 2019, the loss allowance was assessed to be minimal.

24. BALANCES WITH RELATED PARTIES

Group

		As at 31 December		
		2017	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties before provision				
Jiaxing LPG	*i*	5,844	856	5,802
Qingyuan Hotel	*ii*	451	1,179	2,886
Jiaxing Pipeline Company	*ii*	16,198	1,203	2,864
Gas and Refuelling Station	*iii*	–	–	1,000
Hangjiaxin	*ii*	–	–	700
Qingchi Hot Spring	*ii*	–	–	813
Salon International Hotel	*ii*	262	221	236
Yuehe Inn	*ii*	143	124	111
Yinda Real Estate	*ii*	–	2,378	–
Qingyuan Hot Spring	*ii*	1	–	–
		22,899	5,961	14,412
Amounts due to related parties				
Jiaxing Pipeline Company	*iv*	189,709	178,426	170,505
Zhuji Jinfeng	*v*	314	138	913
Gas and Refuelling Station	*vi*	8,000	–	–
		198,023	178,564	171,418

i The amount due from Jiaxing LPG was non-trade in nature, unsecured and interest-free. The balance as at 31 December 2019 has been fully provided for impairment because Jiaxing LPG is under the situation of discontinuing its business and the Directors do not expect the amount to be collectible.

ii The amounts due from related parties amounted to RMB17,055,000, RMB5,105,000 and RMB7,610,000, respectively, as at 31 December 2017, 2018 and 2019, were trade in nature, unsecured, interest-free and repayable within 180 days.

iii The amount due from Gas and Refuelling Station amounted to RMB1,000,000 as at 31 December 2019 was non-trade in nature, unsecured, interest-free and repayable in March 2020.

iv The Company rent gas pipelines and properties from Jiaxing Pipeline Company and recognise the corresponding lease liabilities. The maturity profile of the lease liabilities due to Jiaxing Pipeline as at the end of each of the Relevant Periods is as follows:

	Due	**Within 1 year**	**Within 2 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017	16,529	8,062	38,245	126,873	189,709
At 31 December 2018	9,579	8,803	40,362	115,953	174,697
At 31 December 2019	–	9,774	57,402	96,786	163,962

The remaining balance of amount due to Jiaxing Pipeline Company amounted to nil, RMB3,729,000 and RMB5,643,000 as at 31 December 2017, 2018 and 2019, respectively, was trade in nature, interest-free and repayable within 30 Days.

v The amount due to Zhuji Jinfeng was trade in nature, unsecured, interest-free and repayable within 30 days.

vi The amount due to Gas and Refuelling Station was non-trade in nature, unsecured, interest-free and settled in 2018.

As of the date of this report, except for the amount due from Jiaxing LPG which has been fully provided for impairment, all the non-trade balances have been settled.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Listed equity investments, at fair value	2,854	2,254	1,741
Other unlisted investments, at fair value			
– Wealth management products	193	518	735
– Unlisted equity investment at fair value	–	16,880	14,763
	3,047	19,652	17,239
Classified as			
Current	3,047	2,772	2,476
Non-current	–	16,880	14,763
	3,047	19,652	17,239

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	58,573	91,499	70,238
Less: Pledged time deposits			
Pledged for issuance of bank acceptance notes	(7,276)	(5,257)	(7,092)
Cash and cash equivalents	51,297	86,242	63,146
Denominated in RMB	51,297	86,242	63,146

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.

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	52,505	63,517	50,968
Less: Pledged short-term deposits			
Pledged for issuance of bank acceptance notes	(7,276)	(5,257)	(7,092)
Cash and cash equivalents	45,229	58,260	43,876
Denominated in RMB	45,229	58,260	43,876

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.

27. TRADE AND BILLS PAYABLES

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	92,292	101,056	91,236
Bills payable	15,640	13,142	9,149
	107,932	114,198	100,385

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	106,738	113,218	99,441
1 to 2 years	618	276	282
Over 2 years	576	704	662
	107,932	114,198	100,385

The trade payables are non-interest-bearing and are normally settled within 30 days.

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	70,920	84,214	79,654
Bills payable	15,640	13,142	9,149
	86,560	97,356	88,803

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	85,691	96,846	88,283
1 to 2 years	355	10	20
Over 2 years	514	500	500
	86,560	97,356	88,803

The trade payables are non-interest-bearing and are normally settled within 30 days.

28. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Construction costs	29,973	25,652	23,485
Taxes	3,596	2,186	1,528
Payroll and welfare	13,818	17,518	20,994
Dividends	10,000	–	–
Accruals	993	3,562	889
Interests	143	223	–
Others	19,500	18,386	17,258
	78,023	67,527	64,154

Other payables are non-interest-bearing and have an average term of 1 year.

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Construction costs	31,608	29,020	30,272
Taxes	2,842	1,331	470
Payroll and welfare	6,770	7,826	7,550
Dividends	10,000	–	–
Accruals	532	3,564	889
Interests	143	223	–
Others	11,793	12,866	7,118
	63,688	54,830	46,299

Other payables are non-interest-bearing and have an average term of 1 year.

29. CONTRACT LIABILITIES

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Installation and management services	46,032	47,927	46,716
Sales of natural gas	20,270	16,672	17,575
Sales of construction materials	–	–	607
Construction services	8,830	12,589	20,449
	75,132	77,188	85,347
Long-term advances received from customers			
Installation and management services	404,021	390,920	379,984
	479,153	468,108	465,331

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Installation and management services	41,869	43,629	40,924
Sales of natural gas	20,269	14,668	15,426
Construction services	6,598	10,146	7,229
	68,736	68,443	63,579
Long-term advances received from customers			
Installation and management services	362,321	342,189	326,160
	431,057	410,632	389,739

30. INTEREST-BEARING BANK BORROWINGS

Group

	As at 31 December								
	2017			**2018**			**2019**		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans – secured	4.35-4.70	2018	141,000	4.34-5.22	2019	202,000	4.35-4.79	2020	173,400
Current portion of long term bank loans – secured	4.90	2018	26,500	4.90	2019	11,000	N/A	N/A	–
			167,500			213,000			173,400
Non-current									
Bank loans – secured	4.90	2019	11,000	N/A	N/A	–	4.99	2022	20,000
			178,500			213,000			193,400

Company

	As at 31 December								
	2017			2018			2019		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank loans – secured	4.35-4.70	2018	133,000	4.34-5.22	2019	185,000	4.35-4.57	2020	164,400
Current portion of long term bank loans – secured	4.90	2018	20,000	N/A	N/A	–	N/A	N/A	–
			153,000			185,000			164,400
Non-current									
Bank loans – secured	N/A	N/A	–	N/A	N/A	–	4.99	2022	20,000
			153,000			185,000			184,400

Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year or on demand	167,500	213,000	173,400
In the second year	11,000	–	–
In the third to fifth years, inclusive	–	–	20,000
	178,500	213,000	193,400

The Group's interest-bearing bank borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Pledge of assets:			
Investment properties	166,029	143,435	194,781
Property, plant and equipment	27,333	30,801	4,120
Pledged deposits	–	–	7,092
Prepaid land lease payments	3,701	3,192	2,143
	197,063	177,428	208,136

Notes:

(1) All borrowings are in RMB.

(2) The interest-bearing bank loans amounting to RMB130,500,000, RMB176,000,000 and nil, respectively, at 31 December 2017, 2018 and 2019 were secured by the gas franchise right.

(3) The interest-bearing bank loans amounting to nil, nil and RMB40,000,000, respectively, at 31 December 2017, 2018 and 2019 were secured by the guarantee of Jia'ran Liquefied Gas and Jia'an.

(4) The Group's overdraft facilities amounting to RMB388,500,000, RMB249,000,000 and RMB756,000,000 (of which RMB178,500,000, RMB213,000,000 and RMB211,457,289, respectively, had been utilised or expired) as at 31 December 2017, 2018 and 2019, respectively, are secured by the pledge of certain of the Group's assets noted above.

Company

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year or on demand	153,000	185,000	164,000
In the second year	–	–	–
In the third to fifth years, inclusive	–	–	20,000
	153,000	185,000	184,000

The Company's interest-bearing bank borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Pledge of assets:			
Investment properties	166,029	143,435	194,595
Property, plant and equipment	25,874	29,456	4,120
Pledged deposits	–	–	7,092
Prepaid land lease payments	1,446	993	–
	193,349	173,884	205,807

Notes:

(1) All borrowings are in RMB.

(2) The interest-bearing bank loans amounting to RMB113,000,000, RMB165,000,000 and nil, respectively, at 31 December 2017, 2018 and 2019 of the Company were secured by the gas franchise right.

(3) The interest-bearing bank loans amounting to nil, nil and RMB40,000,000, respectively, at 31 December 2017, 2018 and 2019 were secured by the guarantee of Jia'ran Liquefied Gas and Jia'an.

(4) The Company's overdraft facilities amounting to RMB363,000,000, RMB221,000,000 and RMB739,000,000 (of which RMB153,000,000, RMB185,000,000 and RMB201,457,289, respectively, had been utilised or expired) as at 31 December 2017, 2018 and 2019, respectively, are secured by the pledge of certain of the Company's assets noted above.

31. SHARE CAPITAL

Group and Company

	As at 31 December					
	2017		2018		2019	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
Ordinary shares at end of year	100,000	100,000	100,000	100,000	100,000	100,000

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

	Number of shares	Share capital
	'000	*RMB'000*
At 31 December 2017, 2018 and 2019	100,000	100,000

Note: At 1 January 2017, the Company was a limited liability company with paid-up capital of RMB100,000,000. On 18 January 2017, the Company was converted into a joint stock company with limited liability. Upon conversion, the capital of the Company has been divided into 100,000,000 ordinary shares of RMB1.00 each.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity.

Capital reserve

In October 2016, the Company entered into equity interest transfer agreements with Zhejiang Qingyuan Tourism Development Group Co., Ltd. ("Qingyuan Tourism"), a related company controlled by shareholders of the Company, to dispose the Company's interest in its subsidiaries with negative fair value on the disposal date with considerations amounted to nil, and the capital reserve pertains to the benefit contributed by the shareholders in the equity interest transactions.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF 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 SRF 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 the consolidated statements of profit or loss while the Group decreases its retained profits when it recognises the special reserve – safety fund.

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB218,000, RMB50,000 and RMB10,113,000 at 31 December 2017, 2018 and 2019, respectively, in respect of lease arrangements for property, plant and equipment.

(b) Changes in liabilities arising from financing activities

2017

	Bank loans	**Lease liabilities**
	RMB'000	*RMB'000*
At 1 January 2017	430,650	185,126
Changes from financing cash flows	(252,150)	4,807
Interest expense	–	9,531
Interest paid	–	(9,531)
New leases	–	218
At 31 December 2017	178,500	190,151

2018

	Bank loans	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2018	178,500	190,151
Changes from financing cash flows	34,500	(15,130)
Interest expense	–	9,181
Interest paid	–	(9,181)
New leases	–	50
At 31 December 2018	213,000	175,071

2019

	Bank loans	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2019	213,000	175,071
Changes from financing cash flows	(19,600)	(21,072)
Interest expense	–	9,850
Interest paid	–	(9,850)
New leases	–	10,113
At 31 December 2019	193,400	164,112

(c) Total cash (inflow)/outflow for leases

The total cash (inflow)/outflow for leases included in the statement of cash flows is as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	67	89	317
Within financing activities	(4,807)	15,130	20,712
	(4,740)	15,219	21,029

34. LEASES

The Group as a lessee

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

The movements in right-of-use assets and lease liabilities during the Relevant Periods are as follows:

Group

	Building	Plant and machinery	Prepaid land lease payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets:				
As at 1 January 2017	313	96,466	29,749	126,528
Additions	218	–	17,634	17,852
Depreciation charge	(120)	(6,541)	(1,070)	(7,731)
As at 31 December 2017 and 1 January 2018	411	89,925	46,313	136,649
Additions	50	–	–	50
Transferred to investment properties	–	–	(81)	(81)
Depreciation charge	(123)	(6,541)	(1,169)	(7,833)
As at 31 December 2018 and 1 January 2019	338	83,384	45,063	128,785
Additions	179	9,934	–	10,113
Transferred to investment properties	–	–	(10)	(10)
Depreciation charge	(104)	(7,300)	(1,050)	(8,454)
As at 31 December 2019	413	86,018	44,003	130,434

Group

As at 31 December 2017, 2018 and 2019, the Group's prepaid land lease payments with a carrying value of RMB3,701,000, RMB3,192,000 and RMB2,143,000, respectively, were pledged to secure interest-bearing bank borrowings (note 30).

Company

	Building	Plant and machinery	Prepaid land lease payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets:				
As at 1 January 2017	313	96,466	13,805	110,584
Additions	218	–	15,822	16,040
Depreciation charge	(120)	(6,541)	(715)	(7,376)
As at 31 December 2017 and 1 January 2018	411	89,925	28,912	119,248
Additions	50	–	–	50
Transferred to investment properties	–	–	(81)	(81)
Depreciation charge	(123)	(6,541)	(780)	(7,444)
As at 31 December 2018 and 1 January 2019	338	83,384	28,051	111,773
Additions	179	9,934	–	10,113
Transferred to investment properties	–	–	(10)	(10)
Depreciation charge	(104)	(7,300)	(662)	(8,066)
As at 31 December 2019	413	86,018	27,379	113,810

As at 31 December 2017, 2018 and 2019, the Company's prepaid land lease payments with a carrying value of RMB1,446,000, RMB993,000 and nil, respectively, were pledged to secure interest-bearing bank borrowings (note 30).

Group and Company

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities:			
Carrying amount at the beginning of the year	185,126	190,151	175,071
Additions	218	50	10,113
Interest during the year	9,531	9,181	9,850
Payments during the year	(4,724)	(24,311)	(30,922)
Carrying amount at the end of the year	190,151	175,071	164,112
Analysed into:			
Current portion	24,700	18,468	9,831
Non-current portion	165,451	156,603	154,281

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

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	9,531	9,181	9,850
Depreciation charge of right-of-use assets	7,731	7,833	8,454
Expense relating to leases of short-term/ low-value assets (included in selling and distribution expenses and administrative expenses)	67	89	317
Total amount recognised in profit or loss	17,329	17,103	18,621

The total cash outflow for leases is disclosed in note 33(c) to the Historical Financial Information.

The Group as a lessor

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 for the years ended 31 December 2017, 2018 and 2019 was RMB13,604,000, RMB10,293,000 and RMB12,959,000, details of which are included in note 5 to the Historical Financial Information.

As at 31 December 2017, 2018 and 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	12,275	11,905	12,476
After one year but within two years	11,247	11,618	11,815
After two years but within three years	10,954	11,206	11,332
After three years but within four years	10,748	10,645	9,944
After four years but within five years	10,445	9,731	9,943
After five years	76,602	67,615	57,706
	132,271	122,720	113,216

35. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Property, plant and equipment	2,607	366	1,867

36. CONTINGENT LIABILITIES

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Guarantee bank loan of Hangjiaxin	–	40,000	306,910

In December 2018, the Group's joint venture – Hangjiaxin obtained a bank loan for investment in property, plant and equipment used in operation, which was guaranteed by the Group. The Directors consider that the possibility of the default in payment regarding to the bank loan of Hangjiaxin is remote taking the predicted cash inflow of Hangjiaxin into consideration and therefore no provision has been made in the Historical Financial Information for the contingent liability arising from the guarantee provided by the Group to the bank loan of Hangjiaxin.

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship:

Name of related party	Relationship with the Group
Gas and Refuelling Station	Joint venture
Hangjiaxin	Joint venture
Jiaxing LPG	Associate
Jiatong New Energy	Associate
Jiaxing Natural Gas Pipeline Network Management Co., Ltd. ("Jiaxing Pipeline Company") (嘉興市天然氣管網經營有限公司)	Company controlled by shareholders of the Company
Qingyuan Tourism	Company controlled by shareholders of the Company
Jiaxing Qingyuan Hotel Management Co., Ltd. ("Qingyuan Hotel") (嘉興市清園酒店管理有限公司)	Company controlled by shareholders of the Company
Jiaxing Yinxiang Real Estate Development Co., Ltd. ("Yinxiang Real Estate") (嘉興市胤祥房地產開發有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingyuan Ecological Farm Co., Ltd. ("Ecological Farm") (嘉興市清圓生態農莊有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingchi Hot Spring Tourism Development Co., Ltd. ("Qingchi Hot Spring") (嘉興市清池溫泉旅遊開發有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingyuan Hot Spring Management Co., Ltd. ("Qingyuan Hot Spring") (嘉興市清源溫泉管理有限公司)	Company controlled by shareholders of the Company
Jiaxing Yintai Real Estate Co., Ltd. ("Yintai Real Estate") (嘉興胤泰置業有限公司)	Company controlled by shareholders of the Company
Jiaxing Songjia Trading Co., Ltd. ("Songjia Trading") (嘉興市宋嘉貿易有限公司)	Company controlled by shareholders of the Company

Name of related party	Relationship with the Group
Jiaxing Nanhu Hetai Finance Co., Ltd. ("Nanhu Hetai") (嘉興市南湖禾泰小額貸款有限公司)	Company significantly influenced by shareholders of the Company
Zhejiang Jinyu Fengye Pipeline Co., Ltd. ("Jinyu Fengye") (浙江錦宇楓葉管業有限公司)	Company controlled by a director of the Company
Zhuji Jinfeng Pipeline Co., Ltd. ("Zhuji Jinfeng") (諸暨錦楓管業有限公司)	Company controlled by a director of the Company
Jiaxing Yinda Real Estate Co., Ltd. ("Yinda Real Estate") (嘉興胤達置業有限公司)	Company controlled by shareholders of the Company
Jiaxing Salon International Hotel Co., Ltd. ("Salan International Hotel") (嘉興市沙龍國際賓館有限公司)	Company controlled by shareholders of the Company
Jiaxing Yuehe Inn Co., Ltd. ("Yuehe Inn") (嘉興市月河客棧有限公司)	Company controlled by shareholders of the Company

(b) The Group had the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December 2017	2018	2019
		RMB'000	*RMB'000*	*RMB'000*
Associate:				
Purchase of LNG from				
Jiatong New Energy	*(iii)*	1,205	41	50
Joint ventures:				
Guarantee of bank loans				
Hangjiaxin	*(ii)*	–	40,000	306,910
Transportation income from				
Gas and Refuelling Station	*(iv)*	4,826	4,023	3,395
Rental income from				
Gas and Refuelling Station	*(v)*	1,143	1,058	253
Hangjiaxin	*(v)*	–	–	642
		1,143	1,058	895
Other income from				
Gas and Refuelling Station	*(v)*	–	952	–
Interest income from				
Hangjiaxin	*(vi)*	173	171	–

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Others:				
Sales of natural gas to				
Qingyuan Hotel	*(i)*	2,757	3,150	3,824
Salon International Hotel	*(i)*	1,250	1,384	1,523
Yuehe Inn	*(i)*	1,186	1,146	963
Qingyuan Hot Spring	*(i)*	18	17	–
		5,211	5,697	6,310
Purchase of natural gas from				
Jiaxing Pipeline Company	*(iii)*	543,632	832,088	886,986
Purchase of properties from				
Yinxiang Real Estate	*(iii)*	15,821	–	–
Prepayment for properties				
Yinda Real Estate	*(iii)*	–	2,378	–
Purchase of construction materials from				
Jinyu Fengye	*(iii)*	2,170	–	–
Zhuji Jinfeng	*(iii)*	1,387	4,758	6,032
		3,557	4,758	6,032
Purchase of other products from				
Songjia Trading	*(iii)*	592	485	117
Ecological Farm	*(iii)*	1,823	324	41
		2,415	809	158
Rental income from				
Jiaxing Pipeline Company	*(v)*	140	140	140
Qingyuan Hotel	*(v)*	5,307	5,307	5,440
Nanhu Hetai	*(v)*	110	110	110
		5,557	5,557	5,690
Loans to				
Qingyuan Hotel	*(vi)*	9,603	–	–
Qingyuan Hot Spring	*(vi)*	5,900	–	–
		15,503	–	–

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Interest income from				
Qingyuan Hotel	*(vi)*	1,904	–	–
Qingyuan Hot Spring	*(vi)*	886	–	–
		2,790	–	–
Interest expense on lease liabilities				
Jiaxing Pipeline Company	*(vii)*	9,505	9,159	9,843
Depreciation of right-of-use assets leased from				
Jiaxing Pipeline Company	*(vii)*	6,541	6,541	7,404
Administrative and selling expenses				
Qingyuan Hotel		1,583	1,967	2,598
Qingyuan Hot Spring		66	38	–
Qingchi Hot Spring		–	16	814
		1,649	2,021	3,412

Notes:

(i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The Company provided guarantee for the bank loans of Hangjiaxin amounted to nil, RMB40,000,000 and RMB306,910,000 as at 31 December 2017, 2018 and 2019. Details of the guarantee were set out in note 36 to the Historical Financial Information.

(iii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.

In November 2018, the Company entered into an agreement with Yinda Real Estate to purchase buildings and made a prepayment to Yinda Real Estate amounted to RMB 2,378,000 according to the agreement.

(iv) The transportation income arose from providing transportation service to the Group's joint venture. The transaction price was substantially in line with those offered to the major customers of the Group.

(v) The rental income represents considerations received for the rental of investment properties to the Group's related parties. It is considered that the annual rentals payable under the relevant rent agreements was made according to the market price and had been agreed by both parties.

In December 2018, Gas and Refuelling Station decided to terminate the rental agreement with Gangqu Gas – a subsidiary of the Group, and Gangqu Gas recognised penalty income amounted to RMB952,000 in accordance with the rental agreement.

(vi) The Company entered into loan agreements with Hangjiaxin, Qingyuan Hotel and Qingyuan Hot Spring with an interest rate of 4.57% per annum based on the market interest, and all the loans had been received in 2017.

(vii) Interest expense on lease liabilities and depreciation of right-of-use assets were recognised from the rent agreement of gas pipelines and properties with Jiaxing Pipeline Company. The consideration for the rental was calculated by a charge rate (9.16%) of the cost of the rental gas pipelines and properties and was agreed by both parties. The balance of lease liability unpaid to Jiaxing Pipeline Company was set out in note 24 to the Historical Financial Information.

(c) Balances with related parties:

Details of the Group's balances with related parties at the end of each of the Relevant Periods are disclosed in note 24 to the Historical Financial Information.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	2,839	3,413	3,609
Post-employment benefits	395	501	509
	3,234	3,914	4,118

Further details of Directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets at amortised cost

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	34,172	39,568	49,125
Financial assets included in prepayments, other receivables and other assets	10,693	11,460	24,683
Pledged deposits	7,276	5,257	7,092
Cash and cash equivalents	51,297	86,242	63,146
	103,438	142,527	144,046

Financial assets at fair value through profit or loss

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss			
Unlisted equity investment at fair value through profit or loss	–	16,880	14,763
Held for trading	3,047	2,772	2,476
	3,047	19,652	17,239

Financial liabilities at amortised cost

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	107,932	114,198	100,385
Financial liabilities included in other payables and accruals	59,616	44,261	40,743
Lease liabilities	190,151	175,071	164,112
Interest-bearing bank borrowings	178,500	213,000	193,400
	536,199	546,530	498,640

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2017, 2018 and 2019, 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

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Interest-bearing bank borrowings (non-current portion)	11,000	–	20,000

Fair values

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Interest-bearing bank borrowings (non-current portion)	10,993	–	19,873

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investment at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculates an appropriate price multiple, for example price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a net assets measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding book value measure of the unlisted equity investment to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The Group invests in unlisted investments, which mainly represent unlisted equity investment at fair value. 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.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018 and 2019:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
As at 31 December 2018				
Unlisted equity investment	Valuation multiples	Average P/B multiple of peers	0.8 to 1.9	10% increase /decrease in multiple would result in increase /decrease in fair value by RMB1,688,000
		Discount for lack of marketability	20% to 30%	10% increase /decrease in discount would result in decrease /increase in fair value by RMB1,688,000

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
As at 31 December 2019				
Unlisted equity investment	Valuation multiples	Average P/B multiple of peers	0.7 to 2.4	10% increase /decrease in multiple would result in increase /decrease in fair value by RMB1,476,000
		Discount for lack of marketability	20% to 30%	10% increase /decrease in discount would result in decrease /increase in fair value by RMB1,476,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017				
Financial assets at fair value through profit or loss	2,854	193	–	3,047
As at 31 December 2018				
Financial assets at fair value through profit or loss	2,254	518	16,880	19,652
As at 31 December 2019				
Financial assets at fair value through profit or loss	1,741	735	14,763	17,239

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 31 December 2017, 2018 and 2019.

Assets for which fair values are disclosed

The Group did not have any financial assets for which fair values are disclosed as at 31 December 2017, 2018 and 2019.

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017				
Interest-bearing bank borrowings (non-current portion)	–	10,993	–	10,993
As at 31 December 2018				
Interest-bearing bank borrowings (non-current portion)	–	–	–	–
As at 31 December 2019				
Interest-bearing bank borrowings (non-current portion)	–	19,873	–	19,873

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at 31 December 2017, 2018 and 2019, the total interest-bearing bank borrowings of RMB90,500,000, RMB91,000,000 and RMB81,000,000 of the Group were with floating interest rates denominated in RMB.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings:

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit after tax**	**Increase/ (decrease) in equity after tax***
	%	*RMB'000*	*RMB'000*
2017			
RMB	0.5	(339)	(339)
RMB	(0.5)	339	339
2018			
RMB	0.5	(341)	(341)
RMB	(0.5)	341	341
2019			
RMB	0.5	(304)	(304)
RMB	(0.5)	304	304

The Group does not use derivative financial instruments to hedge its interest rate risk.

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; therefore, the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2017, 2018 and 2019

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 the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017					
Trade and bills receivables*	–	–	–	34,172	34,172
Contract assets*	–	–	–	177	177
Financial assets included in prepayments, other receivables and other assets					
– Normal**	10,693	–	–	–	10,693
Pledged deposits	7,276	–	–	–	7,276
Cash and cash equivalents					
– Not yet past due	51,297	–	–	–	51,297
At 31 December 2018					
Trade and bills receivables*	–	–	–	39,568	39,568
Contract assets*	–	–	–	381	381
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,460	–	–	–	11,460
Pledged deposits	5,257	–	–	–	5,257
Cash and cash equivalents					
– Not yet past due	86,242	–	–	–	86,242
At 31 December 2019					
Trade and bills receivables*	–	–	–	49,125	49,125
Contract assets*	–	–	–	1,224	1,224
Financial assets included in prepayments, other receivables and other assets					
– Normal**	24,683	–	–	–	24,683
Pledged deposits	7,092	–	–	–	7,092
Cash and cash equivalents					
– Not yet past due	63,146	–	–	–	63,146

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 and note 22 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and amounts due to other related parties. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	On demand	Within 1 year	Within 2 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017					
Trade and bills payables	–	107,932	–	–	107,932
Financial liabilities included in other payables and accruals	59,616	–	–	–	59,616
Lease liabilities	16,529	17,362	70,218	162,804	266,913
Interest-bearing bank borrowings	–	172,799	11,753	–	184,552
	76,145	298,093	81,971	162,804	619,013

	On demand	Within 1 year	Within 2 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018					
Trade and bills payables	–	114,198	–	–	114,198
Financial liabilities included in other payables and accruals	44,261	–	–	–	44,261
Lease liabilities	9,579	17,607	70,142	145,273	242,601
Interest-bearing bank borrowings	–	219,545	–	–	219,545
Guarantees given to banks in connection with facilities granted to a joint venture	–	–	45,170	–	45,170
	53,840	351,350	115,312	145,273	665,775

	On demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Trade and bills payables	–	100,385	–	–	100,385
Financial liabilities included in other payables and accruals	40,743	–	–	–	40,743
Lease liabilities	–	18,667	74,503	136,269	229,439
Interest-bearing bank borrowings	–	176,942	22,957	–	199,899
Guarantees given to banks in connection with facilities granted to a joint venture	–	–	277,063	85,658	362,721
	40,743	295,994	374,523	221,927	933,187

The amount included above for financial guarantee contracts is the maximum amount that the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each of the Relevant Periods, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. 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 Relevant Periods.

The Group monitors capital using gearing ratio, which is net debt divided by the capital plus net debt. The Group's net debt includes interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent. The gearing ratios at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Interest-bearing bank borrowings *(note 30)*	178,500	213,000	193,400
Lease liabilities *(note 34)*	190,151	175,071	164,112
Less: Cash and cash equivalents *(note 26)*	(51,297)	(86,242)	(63,146)
Pledged deposits *(note 26)*	(7,276)	(5,257)	(7,092)
Net debt	310,078	296,572	287,274
Equity attributable to owners of the parent	253,778	324,120	341,018
Capital and net debt	563,856	620,692	628,292
Gearing ratio	55%	48%	46%

41. EVENTS AFTER THE RELEVANT PERIODS

Assessment on the effects of the Novel Coronavirus disease outbreak

Since the outbreak of the Novel Coronavirus (COVID-19) disease in China, ongoing prevention and control measures are carried out throughout the whole country. The epidemic will impact business operations of certain industries as well as the overall economy. Therefore, the Group's operations and revenue may be affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies.

The Group will closely monitor the situation and assess its impacts on the Group's financial position and operating results. As of the date of this report, the Directors considered that the outbreak of COVID-19 does not have a material adverse impact on the Group's continuing business operations and sustainability.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2019.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Hong Kong Public Offer and the International Placing (the "Global Offering") on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 31 December 2019.

This statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 December 2019 or any future dates.

The following statement of unaudited pro forma adjusted consolidated net tangible assets is based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 as shown in the Accountants' Report of the Group, the text of which is set forth in Appendix I to this prospectus, and is adjusted as follows:

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK*
	Note 1	*Note 2*		*Note 3*	*Note 3,4*
Based on the minimum Offer Price of HK$9 per Share	338,603	236,248	574,851	4.31	4.71
Based on the maximum Offer Price of HK$12 per Share	338,603	324,506	663,109	4.97	5.44

Notes:

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 was equal to the audited net assets attributable to owners of the Company as at 31 December 2019 of RMB341,018,000 after deducting intangible assets of RMB2,415,000 as at 31 December 2019 set out in the Accountants' Report in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$9 and HK$12 respectively, being the minimum Offer Price and the maximum Offer Price in the Offer Price range, after deduction of the estimated underwriting fees and other related expenses payable by the Company.

The calculation of such estimated net proceeds does not take into account of any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of RMB1.00 to HK$1.0936. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to Renminbi Yuan, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis of 133,340,000 Shares are in issue, assuming that the Global Offering had been completed on 31 December 2019. It does not take into account of any H Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

(4) For the purpose of this statement of unaudited pro forma adjusted net tangible assets, the balances stated in RMB are converted into HK$ at the rate of RMB1.00 to HK$1.0936.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions for the Group entered into subsequent to 31 December 2019.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

EY 安永

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30 June 2020

To the Board of Directors of JiaXing Gas Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of JiaXing Gas Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 December 2019, and related notes as set out in Appendix II on pages II-1 to II-2 of the prospectus dated 30 June 2020 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Hong Kong Public Offer and the International Placing (the "Global Offering") on the Group's financial position as at 31 December 2019 as if the transaction had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

TAXATION IN THE PRC

PRC Taxation of Investors in the H Shares

The following is a summary of certain PRC tax consequences to investors relating to their subscription of H Shares under the Global Offering and the holding of H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the taxation laws of the PRC in effect as at the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This appendix does not address any aspect of the PRC taxation other than income tax, capital tax, business tax, stamp duty and estate duty. Prospective investors are advised to consult their tax advisors regarding the PRC and other tax consequences of investment in H Shares.

Taxation of dividends

Individual Investors

Pursuant to the Individual Income Tax Law of PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**") which was issued and enforced on 10 September 1980 and was newly amended on 30 June 2011 and 31 August 2018 respectively and the latest revision of which was implemented on 1 January 2019, and the Regulations on Implementation of the Law of PRC on Individual Income Tax (Order No. 707 of the State Council) (《中華人民共和國個人所得稅法實施條例》(國務院令第707號)) (the "**Implementation Rules on the IIT Law**") (hereinafter referred to as the "**IIT Law and its implementation rules**") issued by State Council on 28 January 1994, and was revised on 19 December 2005, 18 February 2008, 19 July 2011 and 18 December 2018 respectively and the latest revision of which was implemented on 1 January 2019, income from interest, dividends, bonus shall be taxed at a flat rate of 20%. The taxable income amount for income from interest, dividends and bonuses, contingent income and other income shall be the amount of each income item.

On 28 June 2011, SAT issued the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》國稅函[2011]348號) (the "No. 348 Document"). Pursuant to the No. 348 Document, dividends paid by a PRC company listed in Hong Kong to foreign individuals are subject to PRC withholding tax according to the IIT Law and its implementation rules, and such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty. Generally, a convenient tax rate of 10% shall apply to the dividends paid by the company listed in Hong Kong to foreign individuals without application according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (i) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%, (ii) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%, and (iii) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》) which was issued on 16 March 2007, enforced from 1 January 2008 and amended on 24 February 2017 and 29 December 2018 respectively and the latest revision of which was implemented on 29 December 2018 (the "**EIT Law**") and the Regulation on the Implementation of the Enterprise Income Tax Law of PRC (Decree No. 512 of the State Council) (《中華人民共和國企業所得稅法實施條例》國務院令第512號) ("**the Implementation Rules on the EIT Law**") which was issued on 6 December 2007 and enforced on 1 January 2008, a non-resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

According to the Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》國稅函[2008]897號) (the "**No. 897 Document**") issued by the SAT on 6 November 2008, a PRC resident enterprise must withhold enterprise income tax at a unified rate of 10% on dividends paid to overseas non-PRC resident enterprise holders of H Shares for 2008 and afterwards. Pursuant to the Specification of Arrangements the Mainland of China Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income Order (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed between the PRC government and Hong Kong on 21 August 2006, and amended by the second, third and fourth agreements on 30 January 2008, 27 May 2010 and 1 April 2015, respectively, the PRC government may impose tax on dividends paid to a Hong Kong resident by a PRC company. If the beneficial owner directly holds 25% or more of equity interest in the company which paid dividends, the tax imposed shall not exceed 5% of the total amount of dividends. Save for the foregoing circumstances, the tax imposed shall not exceed 10% of the total amount of dividends.

Taxation of Capital Gains

In accordance with the IIT Law and its implementation rules issued, individuals are subject to individual income tax at the rate of 20% on gains realized on the transfer of properties, incidental gains or gains from other sources, including gains realized on the sale of equity interests in PRC resident enterprises. The Implementation Rules on the IIT Law also provide that measures related to the individual income tax on gains from share transfers shall be formulated by the financial department under the State Council and their implementation shall be subject to the approval of the State Council. However, such measures have not yet been implemented.

Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》財稅字[1998]61號) issued by the MOF and the SAT on 30 March 1998, from 1 January 1997 onwards, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax. The Notice of the MOF, the SAT and the CSRC on Relevant Issues Concerning the Levy of Individual Income Tax on Income from Individual Transfer of Non-tradable Shares of Listed Companies (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》財稅[2009]167號) on 31 December 2009, which provides that individuals income from transferring listed shares of certain domestic stock exchanges shall continue to be exempted from the individual income tax, except for certain shares which are subject to sales limitations as defined in the Supplementary Notice of the MOF, the SAT and the CSRC on Relevant Issues Concerning the Levy of Individual Income Tax on Income from Individual Transfer of Non-tradable Shares of Listed Companies (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》財稅[2010]70號). As the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Estate Tax

Currently, no estate tax is imposed by the PRC Government.

Stamp duty

Under the Interim Regulations of the PRC on Stamp Tax (Decree No. 11 of the State Council) (《中華人民共和國印花稅暫行條例》國務院令[1988]第011號) effective as of 1 October 1988 and amended on 8 January 2011 and the Detailed Rules for Implementation of Provisional Regulations of the PRC on Stamp Tax (Cai Shui [1988] No. 255) (《中華人民共和國印花稅暫行條例施行細則》財稅字[1988]第255號) effective as of 1 October 1988, entities established within the PRC and individuals resident within the PRC are subject to stamp duty on certain taxable documents that are legally binding in the PRC and governed by PRC laws. The following categories of documents shall be taxable documents: (i) contracts or documents in the nature of a contract with regard to: purchases and sales, the undertaking of processing, contracting for construction projects, property leasing, commodity transport, warehousing, loans, property insurance, technology, (ii) documents for transfer of property rights, (iii) business account books, (iv) certificates evidencing rights or licences, and (v) other documents that are taxable as determined by the Ministry of Finance. Taxpayers must calculate taxes payable based on the proportional tax rate or the fixed amount according to the nature of the taxable documents. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H Shares outside the PRC.

PRC Taxation of the Company

Enterprise Income Tax

In accordance with the EIT Law, a resident enterprise refers to an enterprise that is established within the PRC, or which is established under the law of a foreign country (region) but whose de-facto management body is within the PRC. A resident enterprise must pay the enterprise income tax on its incomes derived from both within and outside the PRC at the rate of 25%.

Replacing Business Tax with Value-added Tax

Pursuant to the Notice of the Ministry of Finance and the SAT on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》財稅[2016]36號) which was issued on 23 March 2016 and enforced on 1 May 2016, with the approval of the State Council, the pilot program of replacing business tax with value-added tax shall be implemented nationwide effective from May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax.

Pursuant to the Interim Regulation of the PRC on Value-added Tax (Order No. 691 of the State Council) (《中華人民共和國增值稅暫行條例》國務院令第691號) which was issued on 13 December 1993, enforced on 1 January 1994 and was newly amended on 19 November 2017 and other relevant enforcement regulations, entities and individuals engaged in the sale or processing of goods, repair and replacement services, sale of services, intangible assets, real estates and importation of goods within the territory of the PRC are taxpayers of value-added tax, and shall pay value-added tax.

FOREIGN EXCHANGE CONTROLS OF THE PRC

RMB is the lawful currency of the PRC, which is subject to foreign exchange controls and is not freely exchangeable. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

A strict foreign exchange control system has been adopted in the PRC and such system has undergone various major reforms. The Regulations of the PRC on Foreign Exchange Control (Decree No. 532 of the State Council) (《中華人民共和國外匯管理條例》國務院令第532號) (the "**Foreign Exchange Control Regulations**"), issued by the State Council on 29 January 1996, effective on 1 April 1996 and amended on 14 January 1997 and 5 August 2008 respectively, are the existing major regulations on foreign exchange control, and are applicable to the foreign exchange income and expense or foreign exchange activities of domestic and overseas institutions and individuals. Domestic institutions engaging in the issuance or trading of negotiable securities or derivative products shall complete registration in accordance with the requirements of the foreign exchange administrative department of the State Council. Foreign exchange administrative authorities have the right to exercise inspection and examination on foreign exchange settlement under capital accounts as well as the use of funds from and account changes in respect of such settlement. However, the international payments in foreign exchange and the transfer of foreign exchange under current account shall not be subject to any state control or restriction.

In addition, the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》匯發[2014]54) issued and implemented by the SAFE on 26 December 2014, pursuant to which a domestic company shall, within 15 business days of the end of its offering overseas, present with certain materials and register the overseas listing with the SAFE's local branch at the place of its incorporation. Upon verification that the aforesaid materials are free of error, the SAFE's local branch shall process registration for the domestic company in the capital project information system, then the domestic company shall present this registration certificate to complete account opening and the relevant formalities for its overseas listing. The proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

Pursuant to the Notice of the SAFE on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (Hui Fa [2015] No. 13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》匯發[2015]13號) (the "**Document No. 13**") issued on 13 February 2015 and became effective on 1 June 2015, the foreign exchange registration approval under the PRC direct investment and the foreign exchange registration approval under the oversea direct investment were abolished and replaced by direct approval by the bank on such foreign exchange registrations. Such registrations were indirectly supervised by the SAFE and its branches through the banks. According to the Document No. 13, overseas enterprises established or controlled by domestic investment bodies are not subject to foreign exchange filing procedures for the overseas investment on establishments or control of new overseas enterprises.

According to the Notice of the SAFE on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (Hui Fa [2016] No. 16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》匯發[2016]16號) issued and enforced by the SAFE on 9 June 2016, the policies on voluntary settlement of the foreign exchange earrings of domestic institutions under capital account shall be unified. Voluntary settlement of the foreign exchange earnings under capital account shall mean that the foreign exchange earnings under capital account to which the application of voluntary settlement has been specified by relevant policies (including funds repatriated from overseas listing) may be settled by banks based on the actual operating needs of domestic institutions. Domestic institutions are allowed to settle 100% of their foreign exchange earnings under capital account on a voluntary basis. The SAFE may adjust the foregoing percentage as appropriate according to balance of payments situations.

Hui Fa [2016] No. 16 also stipulates that the foreign exchange incomes under the capital account of a domestic institution shall be used under the principles of authenticity and for itself. Domestic institutions shall comply with the following provisions in using their foreign exchange incomes under the capital account and Renminbi funds obtained from foreign exchange settlement:

(i) Such incomes and funds shall not, directly or indirectly, be used for the expenditures beyond the business scope of domestic institutions or the expenditures prohibited by laws and regulations of the State,

(ii) Unless otherwise provided, such incomes and funds shall not, directly or indirectly, be used for investment in securities or other investments than banks' principal secured products,

(iii) Such incomes and funds shall not be used for the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business licence, and

(iv) Such incomes and funds shall not be used for construction or purchase of real estate for purpose other than self-use (exception applies for real estate enterprises).

Moreover, domestic institutions applying for payment with the incomes under the capital account shall truthfully provide the bank concerned with materials proving transaction authenticity relating to their use of funds. For a domestic institution that applies for (i) the payment-based settlement of its all foreign exchange incomes under the capital account, or (ii) the payment with the entire Renminbi funds in its account pending for foreign exchange settlement and payment on a lump-sum basis, the bank concerned shall not process foreign exchange settlement or payment for it if it is unable to provide relevant materials to prove transaction authenticity.

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this Prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 31 March 2020.

30 June 2020

The Directors
JiaXing Gas Group Co., Ltd.
5th Floor, Building 3
Hualong Plaza
Economic and Technological Development Zone
Jiaxing
Zhejiang Province, The People's Republic of China

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to value the properties interests held by the Company and/or its subsidiaries (collectively the "**Group**") situated in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation report), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 31 March 2020 (the "**valuation date**").

VALUATION BASIS

Our valuation of each of the properties represents its market value which in accordance with the HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and the HKIS Valuation Standards 2017 Edition issued by the Hong Kong Institute of Surveyors.

Our valuation of each of the properties is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of each of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company's legal adviser, Jia Yuan Law Offices (嘉源律師事務所), regarding the titles to the properties and the interests of the Group in the properties in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

MARKET UNCERTAINTY

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the properties are valid only at the valuation date and any subsequent changes in market conditions as well as the resulting impacts on property values after the valuation date cannot be taken into account. If any party intends to make reference to our valuations when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the valuation date.

METHOD OF VALUATION

In valuing the properties, we have used Investment Method by capitalising the rental income derived from the existing tenancies, if any, with due provision for the reversionary potential of each constituent portion of the properties at appropriate capitalisation rates. We have also cross-checked against comparable sales evidence as available in the relevant market.

When using Investment Method, we have mainly made reference to lettings within the subject property as well as other relevant comparable rental evidences of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, quality, size and other relevant factors.

The capitalisation rates adopted in our valuations are based on our analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of land and buildings, completion date of buildings, particulars of occupancy, tenancy details, site and floor areas, site and floor plans, number of parking spaces, interests attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the properties in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles to the properties in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company regarding the interests of the Company in the PRC properties.

SITE INSPECTION

Jean Jin (Assistant Manager, 7 years of experience) and Vikki Fang (Valuer, 2 years of experience) inspected the exterior and, wherever possible, the interior of the properties in August 2019. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi (“**RMB**”), the official currency of the PRC.

OTHER DISCLOSURE

We hereby confirm that C&W and the valuers conducting the valuations have no pecuniary or other interests that could conflict with the proper valuations of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We enclose herewith a summary of valuations and valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MRICS, MHKIS, RPS(GP)
Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace S.M. Lam is a Registered Professional Surveyor who has over 25 years' experience in the valuation of properties in the PRC, Hong Kong and other Asian countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Completed properties held by the Group for investment purpose in the PRC

	Property	Market value in existing state as at 31 March 2020 *(RMB)*	Interest attributable to the Group *(%)*	Market value in existing state attributable to the Group as at 31 March 2020 *(RMB)*
1.	Buildings 4101 and 4102, Meiwan Business Center, Hexing Road South, Nanhu District, Jiaxing, Zhejiang Province, The People's Republic of China (中國浙江省嘉興市南湖區禾興南路梅灣商務中心4101及4102棟)	45,800,000	100	45,800,000
2.	Portions of Buildings 1 and 2 Hualong Plaza, Qingyi Road, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, The People's Republic of China (中國浙江省嘉興市經濟技術開發區華隆廣場1棟及2棟部份)	198,000,000	100	198,000,000
	Grand total	243,800,000		243,800,000

VALUATION REPORT

Completed properties held by the Group for investment purpose in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2020
1.	Buildings 4101 and 4102, Meiwan Business Center, Hexing Road South, Nanhu District, Jiaxing, Zhejiang Province, The People's Republic of China (中國浙江省嘉興市南湖區禾興南路梅灣商務中心4101及4102棟)	The property comprises two 3-storey commercial blocks with a total site area and a total gross floor area ("**GFA**") of 2,294.8 sq.m. and 5,736 sq.m. respectively. The two commercial blocks have been combined together with partitions walls removed. The property was completed in about 2005. The property is located in Meiwan Business Center. Developments nearby are mainly for commercial uses. The land use rights of the property have been granted for terms due to expire on 31 May 2043 for commercial use.	As at the valuation date, the property was subject to a tenancy with an expiry date of 28 February 2032, generating a total monthly rent of approximately RMB200,000, exclusive of VAT and management fee, with a 5% increment for every 3 years.	RMB45,800,000 (RENMINBI FORTY FIVE MILLION AND EIGHT HUNDRED THOUSAND) (100% interest attributable to the Group: RMB45,800,000)

Notes:–

(1) According to two Real Estate Title Certificates Nos. (2017) 0035760 and (2017) 0035889 dated 28 June 2017, the real estate title of the property with a site area of 2,294.8 sq.m. and a total gross floor area of 5,736 sq.m. have been vested in JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) for land use terms of 40 years due to expire on 31 May 2043 for commercial use.

(2) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(a) 嘉興市燃氣集團股份有限公司 (JiaXing Gas Group Co., Ltd.*) has legally obtained the land use rights of the property and building ownership and has the rights to occupy, use, enjoy the benefits and dispose of the said land use rights and building ownership;

(b) all the land premium of the property has been paid and settled; and

(c) the property is subject to mortgage.

(3) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Real Estate Title Certificate	Yes

(4) Our key assumptions of the valuation are:

Average Market Monthly Rent *(per sq.m.)*	**Capitalisation Rate**
RMB70	5.25%

In undertaking our valuation, we have made reference to lettings in other similar properties within the same and neighboring districts.

We have gathered and analysed the rate of return of relevant market segment which justifies a yield of approximately 5 to 6% for commercial premises.

The above market rent assumed by us is consistent with the relevant comparables after due adjustments. The capitalisation rate adopted is reasonable having regard to the analysed yields.

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2020
2.	Portions of Buildings 1 and 2 Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, The People's Republic of China (中國浙江省嘉興市經濟技術開發區華隆廣場1棟及2棟部份)	The property comprises 82 office units of Building 1 Hualong Plaza and various portions of Building 2 Hualong Plaza, with details shown below: **Portion** / **Use** / **GFA** *(sq.m.)* Building 1 / Office / 8,813 Building 2 / Hotel / 25,798 **Total** / / **34,611** The office units are located on Levels 15 to 18 of Building 1 Hualong Plaza and the hotel portion is located on Levels 2 to 5 and 11 to 18 of Building 2 Hualong Plaza. The property was completed in about 2015. The property is located in Nanhu Dadao. Developments in the vicinity are mainly office buildings. The land use rights of the property have been granted for terms due to expire on 19 November 2050 for commercial use.	As at the valuation date, portions of the property with a total GFA of 29,987 sq.m. were subject to various tenancies with the latest expiry date on 31 December 2030, generating a total monthly rent of approximately RMB545,000, exclusive of VAT and management fees. The remaining portion was vacant.	RMB198,000,000 (RENMINBI ONE HUNDRED AND NINETY EIGHT MILLION) (100% interest attributable to the Group: RMB198,000,000)

Notes :–

(1) According to 82 Real Estate Title Certificates, the real estate title of the property with a total gross floor area of 34,611.32 sq.m. has been vested in JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) for terms due to expire on 19 November 2050 for commercial use.

(2) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:–

(a) 嘉興市燃氣集團股份有限公司 (JiaXing Gas Group Co., Ltd.*) has legally obtained the land use rights of the property and building ownership and has the rights to occupy, use, enjoy the benefits and dispose of the said land use rights and building ownership;

(b) all the land premium of the property has been paid and settled; and

(c) part of the property is subject to mortgage.

(3) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:–

Real Estate Title Certificate	Yes

(4) Our key assumptions of the valuation are:

Average Market Monthly Rent *(per sq.m.)*	Capitalisation Rate
RMB31	4%

In undertaking our valuation, we have made reference to lettings within the subject property as well as other similar properties within the same and neighboring districts.

We have gathered and analysed the rate of return of relevant market segment which justifies a yield of approximately 4 to 5% for commercial premises.

The above market rent assumed by us is consistent with the relevant comparables after due adjustments. The capitalisation rate adopted is reasonable having regard to the analysed yields.

(5) According to 82 Sales and Purchase Agreements, the property was acquired at a total consideration of approximately RMB219,000,000 in 2015.

This appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (WUMP) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see "Regulatory Overview".

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), the National People's Congress (the "**NPC**") and the Standing Committee of the National People's Congress (the "**Standing Committee of the NPC**") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council of the People's Republic of China (the "**State Council**") is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

In light of the specific circumstances and actual needs of a city with districts, the people's congress of the city with districts and its standing committee may formulate local regulations concerning matters of urban and rural construction and management, environmental protection, historical and cultural protection, etc., provided that such local regulations are not in conflict with the Constitution, laws, administrative regulations and the local regulations of the province or autonomous region in which the city with districts is located. The provisions otherwise prescribed by law on the matters for which cities with districts may formulate local regulations shall prevail. The local regulations of a city with districts shall be implemented after being reported to the standing committee of the people's congress of the province or autonomous region in which the said city is located for approval. The standing committee of the people's congress of the said province or autonomous region shall review the legality of the local regulations submitted thereto for approval, and grant approval within four months as long as such local regulations are not in conflict with the Constitution, laws, administrative regulations and the local regulations of the province or autonomous region.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and a city with districts may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, the Supreme People's Court of the PRC (the "Supreme People's Court") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**"), which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- Company Law of the People's Republic of China (the "**PRC Company Law**") which was promulgated by the Standing Committee of the NPC on 29 December 1993, came into effect on 1 July 1994, revised on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 respectively and the latest revision of which was implemented on 26 October 2018.

- The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations") which were promulgated by the State Council on 4 August 1994 pursuant to Articles 85 and 155 of the PRC Company Law in force at that time, and were applicable, to the overseas share subscription and listing of joint stock limited companies.

- The Mandatory Provisions for the Articles of Association of Companies Seeking a Listing Outside the PRC (《到境外上市公司章程必備條款》) (the "Mandatory Provisions") was jointly promulgated on 27 August 1994 by the Securities Commission and the State Restructuring Commission, which stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section headed "Summary of Articles of Association" in Appendix VI to this prospectus.

Set out below is a summary of the major provisions of the Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. Companies incorporated by promotion are companies with the total number of shares entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for part of the total number of shares of a company, and the remaining shares can be offered to the public or specific persons. If companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and administrative regulations. According to the Special Regulations, state-owned enterprises or enterprises with the majority of their assets owned by the PRC Government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business licence has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated, (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated, and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on 22 April 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on this document to ensure that this document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, the Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the CSRC. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the H share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares". Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares". Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance programme may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder,
- the number of shares held by each shareholder,
- the serial numbers of shares held by each shareholder, and
- the date on which each shareholder obtained the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the type and number of the new shares, the issuing price of the new shares, the commencement and ending dates for the new shares and the class and number of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list,
- the reduction of registered capital shall be approved by a shareholders' general meeting,
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed,
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts,
- it shall apply to the relevant administration of industry and commerce for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital, (ii) to merge with another company that holds its shares, (iii) to acquire its shares for employee stock ownership plans or equity incentives, (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting and require the company to acquire its shares, (v) to use shares for conversion of convertible corporate bonds issued by a listed company, (vi) to maintain corporate value and protect shareholders' equity of a listed company when necessary, and (vii) such other purposes permitted by law and administrative regulations.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within 10 days from the date of purchase in the case of (i) above and transferred or cancelled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii), (v) and (vi) above shall not exceed 10% of the total number of the company's issued shares, and the shares so acquired shall be transferred or deregistered within three years.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat,

- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association,

- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations,

- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions,

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held,

- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held, and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans,

- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors,

- to examine and approve reports of the board of directors,

- to examine and approve reports of the board of supervisors,

- to examine and approve the company's proposed annual financial budget and final accounts,

- to examine and approve the company's proposals for profit distribution plans and loss recovery plans,

- to decide on any increase or reduction of the company's registered capital,

- to decide on the issue of bonds by the company,

- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters,

- to amend the company's articles of association, and

- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association,

- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital,

- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting,

- whenever the board of directors deems necessary,

- when the board of supervisors so requests, or

- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association, (ii) the increase or decrease of registered capital, (iii) the issue of any types of shares, warrants or other similar securities, (iv) the issue of debentures, (v) the merger, division, dissolution, liquidation or change in the form of the company, (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings,
- to implement the resolutions passed in shareholders' general meetings,
- to decide on the company's business plans and investment proposals,
- to formulate the company's proposed annual financial budget and final accounts,
- to formulate the company's profit distribution proposals and loss recovery proposals,
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds,
- to prepare plans for the merger, division, dissolution and change in the form of the company,
- to decide on the company's internal management structure,
- to decide the appointment or dismissal and the remuneration of the company's general manager and based on the general manager's nomination, to appoint or dismiss the deputy general managers and financial officers of the company and to decide on their remuneration,
- to formulate the company's basic management system, and
- to exercise any other power under the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities,

- a person who has been convicted of an offence of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence,

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise,

- a person who has been a legal representative of a company or an enterprise that has had its business licence revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation, or

- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial position,
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting,
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts,
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law,
- to initiate proposals for resolutions to shareholders' general meeting,
- to initiate proceedings against directors and senior management,
- other powers specified in the articles of association, and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors,
- to arrange for the implementation of the company's annual business plans and investment proposals,
- to formulate the general administration system of the company,
- to formulate the company's detailed rules,
- to recommend the appointment and dismissal of deputy managers and person in charge of finance,
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors), and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital,

- depositing the company's capital into accounts under his own name or the name of other individuals,

- loaning company funds to others or providing guarantees in favour of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors,

- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting,

- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting,

- accept and possess commissions paid by a third party for transactions conducted with the company,

- unauthorized divulgence of confidential business information of the company, or

- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management person of a company is required to attend a shareholders' meeting or a general meeting as a non-voting participant, the director, supervisor or senior management person shall do so and accept the inquiries from shareholders.

The directors and senior management personnel shall truthfully provide relevant information and materials to the board of supervisors, and shall not hinder the board of supervisors or the supervisors from exercising their powers.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred, (ii) the shareholders' general meeting have resolved to dissolve the company, (iii) the company is dissolved by reason of merger or division, (iv) the business licence is revoked, the company is ordered to close down or be dissolved, or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets,
- to notify creditors through notice or public announcement,
- to deal with the company's outstanding businesses related to liquidation,
- to pay any tax overdue as well as tax amounts arising from the process of liquidation,
- to claim credits and pay off debts,

- to handle the company's remaining assets after its debts have been paid off, and

- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of H Share Certificates

If a registered H share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement H share certificate. A separate procedure regarding the loss of overseas listed and foreign invested H share certificates is provided for in the Mandatory Provisions.

Suspension and Termination of Listing

The PRC Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law has been amended as follows:

The trading of shares of a company on a stock exchange may be suspended if so decided by the stock exchange under one of the following circumstances:

(i) the registered capital or shareholding distribution no longer complies with the necessary requirements for a listed company,

(ii) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors,

(iii) the company has committed a major breach of the law,

(iv) the company has incurred losses for three consecutive years, or

(v) other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the PRC Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (i) above, or the company has refused to rectify the situation in the case described in (ii) above, or the company fails to become profitable in the next subsequent year in the case described in (iv) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On 25 December 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on 1 July 1999 and was revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017, respectively and the latest revision of which was implemented on 1 January 2018. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre ("HKIAC") in accordance with its Securities Arbitration Rules (the "Securities Arbitration Rules").

Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on 4 November 2014 and will be implemented on 1 January 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centres have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under the PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On 18 June 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》),

which became effective on 1 February 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (WUMP) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Under the PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on Controlling Shareholders' disposal of shares, as illustrated by the undertakings given by the Company to the Stock Exchange.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarised in the section headed "Summary of Articles of Association" in Appendix VI to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

(i) If there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions,

(ii) If there are not relevant provisions in the articles of associations, then (1) with the consent in writing of at least three fourth of the total voting rights of holders of the shares in the class in question, or, (2) with the approval of a special resolution of the holders of the relevant class at a separate meeting.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favour of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances,, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

The Mandatory Provisions, however, contain provisions that a controlling shareholder (as defined in the Articles of Association) may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Statements in Share Certificates

Our Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with our Company and each Shareholder of our Company, and our Company agrees with each Shareholder of our Company, to observe and comply with the Company Law, the Special Regulations, and the Articles of Association;

- agrees with our Company, each Shareholder, Director, Supervisor, manager and officer of our Company, and our Company acting for itself and for each Director, Supervisor, manager and officer of our Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with our Company and each Shareholder of our Company that the Shares are freely transferable by the holder thereof; and

- authorises our Company to enter into a contract on his/her behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his/her obligation to Shareholders as stipulated in the Articles of Association.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under the PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under the PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under the PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on the PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of certain provisions of the Articles of Association of the Company.

The Company was incorporated in the PRC as a joint stock limited liability company on January 18, 2017 under the PRC Company Law. The Articles of Association comprises its constitution.

This appendix contains a summary of the principal provisions of the Articles of Association, which was adopted on 16 June 2020 and will become effective on the Listing Date. The principal objective of this appendix is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VIII to this prospectus.

1. DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue Shares

The Articles of Association does not contain any clauses that authorize the Board of Directors to allocate or issue shares. In order to allot or issue shares, the Board of Directors shall prepare a proposal for approval by Shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of the Company's or any of its subsidiaries' assets

The Board shall not, without the approval of Shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the expected value of the fixed assets of the company proposed to be disposed of;and (ii) where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet tabled before the Shareholders in general meeting.

For the purposes of this provision, disposition includes an act involving a transfer of an interest in property other than providing security by fixed assets.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Indemnification or Compensation for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor: when the Company is being acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of Shareholders in general meeting, payments or other amounts by way of compensation for loss of office or for his retirement from office. A takeover of the Company means:

(i) an offer made to all shareholders of the company; or

(ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with the above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their Shares as a result of accepting the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and shall not be deducted from the sum distributed.

(d) Loans to Directors, Supervisors and other senior officers

The Company is prohibited from directly or indirectly making any loan or guarantee for a loan to its Directors, Supervisors, or other senior officers or the Directors, Supervisors, or other senior officers of its holding company. The Company is also prohibited from, providing any loan or guarantee for a loan in connection with a loan made by any related party to such a Director, Supervisor, or other senior officers.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

(i) the guarantee was provided in connection with a loan to a related party to a Director, Supervisor, or other senior officers of the Company or its holding company and at the time the loan was advanced the lender did not know of the relevant circumstances; or

(ii) the collateral provided by the Company has been lawfully disposed of by the lender to the purchaser in good faith.

The following transactions are not subject to the foregoing prohibition:

(i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the company;

(ii) the provision in accordance with the terms of an employment contract approved by the Shareholders at general meetings of a loan or a guarantee for a loan or any other funds by the Company to any of its Directors, Supervisors, or other senior officers to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform properly his duties; and

(iii) the Company may make a loan to or provide a guarantee for a loan to its relevant Directors, Supervisors, or other senior officers or other related parties where the ordinary course of its business is expanded to include the making of loans or the giving of guarantees for loans and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an act of undertaking or property provided to secure the performance of obligations by the obligor.

(e) Financial assistance provided to purchase the Shares of the Company

Subject to certain exceptions in the Articles of Association:

(i) neither the Company nor any of its subsidiaries shall at any time and in any manner provide financial assistance to a person who acquires or is proposing to acquire the Shares. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of the Shares; and

(ii) neither the Company nor any of its subsidiaries shall at any time and in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

For these purposes, "financial assistance" includes, without limitation to:

(i) assistance given by way of gift;

(ii) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity (other than an indemnity in respect of the Company's own default), or by way of release or waiver;

(iii) assistance given by way of a loan or entering into an agreement under which the company needs to perform its obligations ahead of the other contracting parties or a change in the parties to, or the assignment of rights arising under such loan or such agreement; or

(iv) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent.

"Incurring a liability" includes incurring a liability by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one's own account or with any other person) or by changing one's financial position by any other means.

The following transactions are not prohibited:

(i) the provision of financial assistance where the Company's principal purpose for giving that assistance is genuinely for the Company's interests and not for the purpose of acquiring the Shares, or the provision of such assistance is incidental to some broader objective of the company;

(ii) a lawful distribution of the Company's asset as dividend;

(iii) a distribution of dividends by way of Shares;

(iv) a reduction of registered share capital, repurchase of the Shares or a reorganization of the share capital effected in compliance with the Articles of Association;

(v) the provision of loans by the Company within its scope of business and in the ordinary course of its business, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits; and

(vi) the Company's contribution to employees' share schemes provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

(f) Disclosure of interests in and voting on contracts with the Company or any its subsidiaries

Where a Director, Supervisor, or other senior officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (except for employment contracts that our Company has entered into with the Directors, Supervisors, and other senior officer), he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, or other senior officer has disclosed his interest in accordance with the preceding paragraph and the contract, transaction or arrangement has been approved by the Board at a meeting in which the interested Director is not counted in the quorum and has refrained from voting, the contract, transaction or arrangement in which a Director, Supervisor, or other senior officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the Director, Supervisor, or other senior officer concerned. A Director, Supervisor, and other senior officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related parties have interest.

Where a Director, Supervisor, or other senior officer of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given to the Board before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

(g) Remuneration

The Company shall enter into written agreements with its Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholder's meeting. The remuneration shall include:

(i) remuneration as the Directors, Supervisors or senior officer of our Company;

(ii) remuneration as the directors, supervisors or senior officer of the subsidiaries of our Company;

(iii) remuneration for providing other services for management of our Company and our subsidiaries;

(iv) compensation received by the Directors or Supervisors as a result of loss of office or retirement.

No Director or Supervisor shall institute any litigation against our Company over any interests payable relative to the above unless provided for the above contracts.

(h) Retirement, appointment and removal

The following persons may not serve as a Director, Supervisor, general manager, or other senior officer of the Company:

(i) an individual who has no civil capacity or has restricted civil capacity;

(ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;

(iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise, which had its business licence revoked due to a violation of the law and were ordered to close down, and who were personally liable for the revocation of business licence of such company or enterprise, where less than three years have elapsed since the date of the revocation of business licence of such company or enterprise;

(v) persons with a comparatively large amount of personal debts due and unsettled;

(vi) persons who have committed criminal offences and are still under investigation by law administration authorities;

(vii) persons who were not allowed to be heads of enterprises as stipulated by laws and administrative regulations;

(viii) persons who are not natural persons;

(ix) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith by the relevant authorities, where less than five years have lapsed since the date of conviction; and

(x) other persons stipulated by the laws and regulations of where the Shares are listed.

The validity of the conduct of Directors, general manager, or other senior officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, general manager, or other senior officers.

The Board shall consist of six Directors. A Director is not required to hold any Shares. The chairman and the vice chairman of the Board shall be elected or removed by more than one half of all of the Directors. A Director may be removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman shall be three years and is renewable upon re-election.

The minimum length of the period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be at least seven days. Such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and no later than seven days prior to the Shareholders' general meeting.

The list of Directors' and Supervisors' candidates shall be proposed in form of a motion to the Shareholders' general meeting for resolution.

(i) Borrowing power

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Board the power to formulate proposals for the issuance of debentures by the Company;and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders in general meeting by way of a special resolution.

(j) Liability

The Directors, Supervisors, and other senior officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, or other senior officer is in breach of his duties owed to the company:

(i) to claim against such a Director, Supervisor, or other senior officer for losses incurred by the company as a result of his breach;

(ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, or other senior officer, or between the Company and a third party where such third party has knowledge or should have had knowledge of the breach of duty;

(iii) to account for the profits made by the Director, Supervisor, or other senior officer as a result of his breach;

(iv) to recover any monies received by the Director, Supervisor, or other senior officer which should have been received by the Company, including, without limitation, commissions;

(v) to demand the return of the interest earned or which may have been earned on any monies referred to in (iv) above by the Director, Supervisor, or other senior officer which should have been received by the Company; and

(vi) to execute legal procedures judgment that the interest of a Director, Supervisor, or other senior officer obtained through his breach of duty should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions passed at general meetings. Each Director, Supervisor, and other senior officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

(i) to act honestly in what he considers to be in the best interest of the Company;

(ii) to exercise his powers within the scope specified and not to act ultra vires;

(iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another unless and to the extent permitted by law administrative regulations or by the Shareholders, having been informed of the relevant facts, at a general meeting not to delegate the exercise of his discretion;

(iv) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

(v) except in accordance with the Articles of Association or with the informed consent of Shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(vi) not without the approval of the Shareholders, having been informed of the relevant facts, at general meeting, to use the Company's assets for his personal benefit in any manner;

(vii) not to use his position to accept bribes or other illegal income and not to misappropriate the Company's fund or expropriate the Company's assets in any manner including (without limitation) opportunities beneficial to the Company;

(viii) not without the informed consent of Shareholders in general meeting, to accept commissions in connection with the Company's transactions;

(ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;

(x) not to compete with the Company in any way except with the informed consent of Shareholders given in general meeting;

(xi) not to misappropriate the Company's funds, not to open any bank account in his own name or other name for the deposit of the Company's assets or funds, and not to violate the provision of the Articles of Association to lend the Company's funds to others or provide security of the Company's assets for debts of Shareholders or other individuals without the approval of Shareholders general meeting or the board; and

(xii) without the informed consent of Shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a relevant governmental authority is permitted where (i) the disclosure is made under compulsion of law (ii) there is a duty to the public to disclose or (iii) the personal interests of the Director Supervisor, the president or other senior officer require disclosure.

A Director, Supervisor, or other senior officer of the Company shall not direct parties related to him to do what he is not permitted to do. A party is related to a Director, Supervisor, or other senior officer if he is:

(i) the spouse or minor child of such a Director, Supervisor, or other senior officer;

(ii) a trustee for such a Director, Supervisor, or other senior officer or any person referred to in (i) above;

(iii) a partner of such a Director, Supervisor, or other senior officer or of any person referred to in (i) and (ii);

(iv) a company in which that a Director, Supervisor, or other senior officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, or other senior officers of the Company have de facto control; or

(v) a Director, Supervisor, or other senior officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, liabilities of a Director, Supervisor, or other senior officer arising from the violation of a specified duty may be released by informed Shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Shares are listed, Directors, Supervisors, and other senior officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the Shareholders:

(i) not to cause the Company to go beyond the business scope specified in its business licence;

(ii) to act honestly in what they consider to be the best interest of the company;

(iii) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and

(iv) not to deprive Shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a Shareholders' general meeting.

Each of the Directors, Supervisors, and other senior officers of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

2. MODIFICATION OF THE ARTICLES OF ASSOCIATION

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

The Company may not vary or abrogate rights attached to any class of Shares unless approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

(i) to increase or decrease the number of Shares of such class, or increase or decrease the number of Shares of a class having voting or distribution rights or other privileges equal or superior to the Shares of such class;

(ii) to effect an exchange of all or part of the Shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;

(iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;

(iv) to reduce or remove a dividend preference or a liquidation preference attached to Shares of such class;

(v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the company of such class;

(vi) to remove or reduce rights of such class of Shares to receive payments from the company in any particular currency;

(vii) to create a new class of Shares having voting or distribution rights or privileges equal or superior to the Shares of such class;

(viii) to restrict the transfer or ownership of the Shares of such class or to increase any such restrictions;

(ix) to issue rights to subscribe for, or convert into, Shares in the Company of such class or another class;

(x) to increase the rights or privileges of another class;

(xi) to restructure the Company where the proposed restructuring will result in different classes of Shareholders bearing a disproportionate burden of such restructuring; and

(xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of Shareholders shall require the approval of Shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Notice of class meetings need only be served on Shareholders entitled to vote thereat.

Meetings of any class of Shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of Shareholders set out in the Articles of Association. The provisions of the Articles of Association relating to the conduct of any general meeting of Shareholders shall apply to any class meeting.

In addition to holders of other class of Shares, holders of Domestic Shares and overseas listed foreign Shares are deemed to be Shareholders of different classes. Voting by holders of different classes of Shares is not applicable in the following situations:

(i) where the Company issues, upon the approval by special resolution of its Shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares or overseas listed foreign Shares;

(ii) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares and overseas listed foreign Shares; and

(iii) where Shares of our Company registered on domestic share register are transferred to overseas investors, and such transferred Shares are listed or traded on an overseas stock exchange, upon the approval by the securities regulatory authorities of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an “Interested Shareholder” is:

(i) in the case of a repurchase of Shares by offers to all Shareholders in the same proportion or public dealing on the Hong Kong Stock Exchange, a controlling Shareholder within the meaning of the Articles of Association;

(ii) in the case of a repurchase of Shares by an off-market contract other than on Hong Kong Stock Exchange under the Articles of Association, a Shareholder to whom the proposed contract is related;

(iii) in the proposal of a restructure of the Company, a Shareholder within a class who bears less than a proportionate amount of obligations imposed on the Shareholders of that class or who has an interest different from the interest of the other Shareholders of that class.

4. SPECIAL RESOLUTIONS – MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than one half of the votes represented by Shareholders (including proxies) present at the Shareholders’ general meeting must be exercised in favor of the resolution.

To adopt a special resolution, more than two thirds of the votes represented by the Shareholders (including proxies) present at the Shareholders’ general meeting must be exercised in favor of the resolution.

5. VOTING RIGHTS (GENERALLY RELATING TO RIGHT ON POLL OR RIGHTS TO DEMAND A POLL)

The Shareholders have the right to attend or appoint a proxy to attend Shareholders’ general meetings and to vote thereat. Shareholders (including proxies) when voting at a Shareholders’ general meeting may exercise voting rights in accordance with the number of Shares carrying the right to vote and each Share shall have one vote.

At any Shareholders' meeting, voting shall be on a poll (except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). On a poll taken at a meeting, a Shareholder (including his proxy) entitled to two or more votes needs not cast all his votes in the same way.

In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the financial year end.

7. ACCOUNT AND AUDIT

(a) Financial and accounting system

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and rules formulated by relevant state authorities.

The Board of the Company shall place before the Shareholders at every annual general meeting such financial reports as are required by laws, administrative regulations or directives promulgated by local governments and supervisory authorities.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or accounting standards of the place outside China where the Shares are listed. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different sets of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by Shareholders 20 days before the annual general meeting. Every Shareholder of the Company is entitled to a copy of the financial reports.

A copy of the above financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holders of overseas listed foreign Shares as shown on the register of Shareholders.

The Company shall disclose its financial reports prepared in accordance with either international accounting standards or accounting standards of the place outside China where the Shares are listed two times in each financial year, that is, its interim financial reports within 3 months of the end of the first six months of a financial year and its annual financial reports within 4 months of its financial year end.

The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of auditor

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

The first accounting firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting of Shareholder until the conclusion of the next annual general meeting of Shareholders.

The Shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by the Shareholders in general meeting.

The Company's appointment of, removal of and non-renewal of an accounting firm shall be resolved upon by the Shareholders in general meeting. The remuneration of the accounting firm appointed by the Board shall be confirmed by the Board.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm shall have the right to attend and to make representation to the Shareholders' general meeting.

Where the accounting firm resigns its post, it shall make clear to the Shareholders' general meeting whether there is any impropriety on the part of the Company.

The accounting firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the company or

(ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen days send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for Shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign Shares at the address registered in the register of Shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the Shareholders or creditors of the Company, it may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

8. NOTICE AND SCHEDULE OF THE GENERAL MEETING

The Shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, or other senior officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of Shareholders in general meeting.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

(i) when the number of Directors is less than the number of Directors required by the PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association;

(ii) when the unaccounted losses of the Company amount to one third of the total amount of its paid in share capital;

(iii) when Shareholder(s) individually or collectively holding 10% or more of the Shares requests in writing the convening of an extraordinary general meeting;

(iv) when the board considers necessary or upon the request of the board of Supervisors;

(v) when two or more independent directors so request; and

(vi) other situations stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the Shares are listed or the Articles of Association.

To convene a general meeting, each Shareholder of the Company shall be notified, 20 days before the meeting is held, of the time and the venue of the meeting and the matters to be deliberated. To convene an extraordinary general meeting, each Shareholder shall be notified 15 days before the meeting is held.

At least 10 days before the Company is to convene a general meeting, Shareholders individually or collectively holding 3% or more of Shares carrying voting rights shall have the right to put forward new resolutions in writing to the Company.

The Shareholders' general meeting shall not make a resolution on matters not specified in the notice of the general meeting.

A notice of meeting of Shareholders shall:

(i) be in writing;

(ii) specify the time place the date of the meeting;

(iii) state the matters and proposals to be discussed at the meeting;

(iv) provide such information and explanation as are necessary for the Shareholders to exercise an informed judgment on the proposals before them, including (but not limited to) where a proposal is made to amalgamate the Company with another company, to repurchase the Shares, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;

(v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, or other senior officer in the matter proposed and the effect of the proposed matter on them in their capacity as Shareholders in so far as it is different from the effect on the interests of other Shareholders of the same class;

(vi) contain the full text of any special resolution proposed to be passed at the meeting;

(vii) contain conspicuously a statement that a Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him and that a proxy needs not be a Shareholder; and

(viii) specify the time and place for lodging proxy forms for the relevant meeting.

Public announcement of notices of Shareholders' general meetings shall be published in one or more than one newspaper designated by the security authorities of the State Council. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant Shareholders' meeting. The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Shareholders requisitioning an extraordinary general meeting of Shareholders or class meeting shall abide by the following procedures:

(i) Shareholder(s) individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class Shareholders' meeting. The Board shall as soon as possible after receipt of such written requisition(s) proceed to so convene the extraordinary general meeting or class Shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).

(ii) Where the Board fails to issue notice of convening meeting within 30 days upon receipt of the above written request, Shareholder(s) individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may request by written requisition(s) the board of Supervisors to convene the extraordinary general meeting or class Shareholders' meeting.

(iii) Where the board of Supervisors fails to issue notice of convening meeting within 30 days upon receipt of the above written request, Shareholder(s), for more than 90 consecutive days, individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may convene the meeting on their own accord within four months upon the Board having received such request. The convening procedures shall, to the extent possible, be identical to procedures according to which general meetings are to be convened by the Board.

The matters which require the sanction of an ordinary resolution at a Shareholders' general meeting shall include:

(i) work reports of the board and the board of Supervisors;

(ii) plans for the distribution of profits and for making up losses proposed by the Board;

(iii) the election and removal of the members of the Board and Supervisors (except for staff representative Supervisors their remuneration and method of payment;

(iv) the annual budget and final account report, balance sheet, profit and loss statement and other financial statement of the company; and

(v) all other matters except those required to be adopted by special resolution as required by the laws and regulations or the Articles of Association.

The matters which require the sanction of a special resolution at a Shareholders' general meeting include:

(i) the increase in or reduction of share capital, issue of any class of Shares, warrants and other similar securities of the Company;

(ii) the issue of corporate debentures;

(iii) the division merger dissolution or liquidation of the Company;

(iv) the change of the form of the Company;

(v) the matters where the amount of the Company's purchasing or selling of material assets or warranting in one year exceeds of the recently audited total assets;

(vi) amendments to the articles of association;

(vii) consider and implement equity incentive plan;

(viii) other matters which were required by the laws, administrative regulations or by the Articles of Association, or matters adopted by passing ordinary resolutions at general meetings as having material impact on the Company that are required to be adopted by special resolutions; and

(ix) other matters required by the Listing Rules to be adopted by special resolution.

9. TRANSFER OF SHARES

Subject to the approval of the securities regulatory authorities of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

Shares of the Company held by the Promoters are not transferable within one year commencing from the date of establishment of the Company.

The Directors, Supervisors and senior officers of the Company shall report to the Company the number of Shares held by them in the Company and the subsequent changes in their shareholdings. The number of Shares which a Director, Supervisor or senior officer may transfer every year during his term of office shall not exceed 25% of the total number of the Shares in his or her possession. Such personnel shall not transfer the Shares in their possession within six months after they have terminated their employment with the Company.

All fully paid up Overseas Listed Foreign Shares listed in Hong Kong may be transferred freely pursuant to the Articles of Association. However, unless the Overseas Listed Foreign Shares listed in Hong Kong meet the following conditions, the Board of Director may refuse to recognize any transfer document without giving any reason:

(i) any transfer documents and files related to stock ownership or may affect stock ownership are required registration, and one shall pay our Company registration fee of HK$2.5 for each transfer document, or the higher cost determined by the Board, but such fees shall not exceed the maximum fees prescribed in Listing Rules of the Hong Kong Stock Exchange on occasion;

(ii) the instrument of transfer relates only to Overseas Listed Foreign Shares listed in Hong Kong;

(iii) payment in full of any stamp duty due on the instrument of transfer;

(iv) provision of the relevant H share certificates and any other evidence reasonably required by the Board to prove the transferor's right to make the transfer;

(v) if the Shares are to be transferred to joint holders, the number of joint holders shall not exceed four;

(vi) the relevant Shares of our Company are free from all liens.

If the Company refuses to register a transfer of any share, it shall, within two months after the date on which the formal application for transfer was lodged with the Company, send to the transferor and the transferee a notice of refusal to register the transfer of such share.

Any change or correction in each part of the register of Shareholders, shall, according to the laws and regulations of the city where the part of the register of Shareholders is kept.

No changes in the Shareholders' register due to the transfer of Shares may be made within 30 days before the date of a general meeting or within five days before the record date for the Company's distribution of dividends.

10. POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, according to provisions of laws, administrative regulations, Listing Rules, departmental rules and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its Shares under the following circumstances:

(i) where the Company reduces its registered capital;

(ii) where the Company merges with other companies that hold its shares;

(iii) where the Company acquires its own shares for employee stock ownership plans or equity incentives;

(iv) where a shareholder of the Company has objections to the resolution on the merger or division of the Company as adopted at the general meeting and requires the Company to acquire its shares;

(v) where the Company acquires its own shares to convert the corporate bonds issued thereby that are convertible to shares; or

(vi) where the Company needs to acquire its own shares to maintain its value and the rights and interests of shareholders;

(vii) the relevant Shares of the Company are free from all liens.

Where the Company acquires its own shares under Item (i) or Item (ii) of the preceding Paragraph, a resolution thereon shall be adopted by the general meeting. Where the Company acquires its own shares under Item (iii), Item (v) or Item (vi) of the preceding Paragraph, the Company may, pursuant to its articles of association or according to the authorization granted by the general meeting, proceed with such acquisition upon a resolution adopted at a meeting of the board of directors that is attended by at least two-thirds of all directors.

After acquiring its own shares under Item (i) of Paragraph 1 of this Article, the Company shall deregister the acquired shares within ten days from the date of acquisition; after acquiring its own shares under Item (i) or Item (iv) of Paragraph 1 of this Article, the Company shall transfer or deregister the acquired shares within six months; and, after acquiring its own shares under Item (iii), Item (v) or Item (vi) of Paragraph 1 of this Article, the company shall ensure that the total number of its own shares held thereby is not in excess of 10% of its total outstanding shares and shall transfer or deregister the acquired shares within three years.

A listed company that acquires its own shares shall perform information disclosure obligations in accordance with the Securities Law of the PRC A listed company that acquires its own shares under Item (iii), Item (v) or Item (vi) of Paragraph 1 of this Article shall conduct such acquisition by way of open centralized trading.

The Company shall not accept its own shares as the subject matter for pledges.

After cancelling the repurchased Shares lawfully, the Company shall apply to the original companies registration authority for registration of the change of its registered capital and issue a relevant announcement.

The Company may, upon the approval of the relevant state governing authorities, repurchase its Shares in one of the following ways:

(i) making a pro rata general offer of repurchase to all the Shareholders;

(ii) repurchasing Shares through public dealing on a stock exchange;

(iii) repurchasing by an off market agreement outside a stock exchange; and

(iv) other circumstances permitted by the laws and administrative regulations and approved by the governing authority.

The Company may, with the prior approval of Shareholders obtained at a Shareholder's meeting in accordance with the Articles of Association, repurchase its Shares by an off-market contract but the Company may rescind or vary such contract or waive any of its rights under a contract so entered into by the Company with the prior approval of Shareholders obtained at a Shareholder's meeting in the same manner. A contract to repurchase Shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase and acquire rights to repurchase Shares.

The Company shall not assign a contract to repurchase its Shares or any of its rights thereunder. Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to repurchase of its issued Shares:

(i) where the Company repurchases its Shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new Shares made for the purpose of the repurchase;

(ii) where the Company repurchases its Shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new Shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:

(a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the company;

(b) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new Shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the Shares repurchased nor the current amount of the share premium account or the capital reserve fund account of the Company (including the premiums on the new issues at the time of the repurchase;

(iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:

(a) acquisition of rights to repurchase Shares;

(b) variation of any contract to repurchase Shares;

(c) release of the company's obligations under a contract to repurchase Shares; and

(iv) After the Company's registered capital has been reduced by the aggregate par value of the cancelled Shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased Shares shall be transferred to the Company's share premium account (or capital reserve fund account).

Where the Company has the power to repurchase a redeemable Share:

(i) the repurchase not made through the market or by tender shall be limited to a certain maximum price; and

(ii) if the repurchase are by tender, tenders shall be available to all Shareholders on equal conditions.

11. POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contains no restrictions preventing any subsidiary of the Company from holding Shares.

12. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash and/or Shares.

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the holder of the Share to participate in respect thereof in a dividend subsequently declared.

The Company shall appoint on behalf of holders of overseas listed foreign Shares receiving agents to receive on behalf of such Shareholders dividends and other monies payable by the Company in respect of their Shares.

The receiving agent appointed by the Company on behalf of holders of overseas listed foreign Shares listed on the Hong Kong Stock Exchange shall be a registered trust company under the Hong Kong Trustee Ordinance.

13. PROXIES OF SHAREHOLDERS

Any Shareholder entitled to attend and vote at a Shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a Shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that Shareholder:

(i) the Shareholder s right to speak at the meeting;

(ii) the right to demand whether on his own or together with others a poll; and

(iii) the right to vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy proposes to vote. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its board of directors or other governing body shall attend the Shareholders' general meeting as the appointor's representative.

Any form issued to a Shareholder by the Board for the purpose of appointing a proxy shall be in such form which enables the Shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

14. CALLS ON SHARES AND FORFEITURE OF SHARES

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the relevant Shareholder to participate in respect thereof in a dividend subsequently declared.

Subject to compliance with the relevant laws and administrative regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised after the expiry of the relevant time frame.

15. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS'

The Company shall keep a register of Shareholders.

The Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organizations, keep its original register of holders of overseas listed foreign Shares overseas and appoint overseas agent(s) to manage such share register.

Duplicates of the share register for holders of overseas listed foreign Shares shall be maintained at the Company's place of domicile. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. The original register of overseas listed foreign Shares listed in Hong Kong shall be maintained in Hong Kong.

If there is any inconsistency between the original and the duplicate of share register for holders of foreign Shares, the original shall prevail.

The Company shall keep a complete register of Shareholders.

The register of Shareholders shall comprise of the following parts:

(i) register(s) of Shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the company;

(ii) register(s) of holders of the Company's overseas listed foreign Shares kept in the place of the stock exchange(s) where those foreign Shares are traded; and

(iii) register(s) of Shareholders kept at other places as the Board thinks necessary for the purpose of listing.

Different parts of the register of Shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of Shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

No changes which are required by reason of a transfer of Shares may be made to the register of Shareholders within 30 days prior to the date of a Shareholders' general meeting or five days prior to the record date for the Company's distribution of dividends.

When the Company decides to convene a Shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as a Shareholder at the end of the record date shall be a Shareholder.

Any person who objects to the register of Shareholders and requests to register his name on, or delete his name from the register may apply to the court with jurisdiction to amend the register.

The right of the Shareholders to information includes, but without limitation, the following:

(i) the right to a copy of the articles of association after payment of a reasonable fee;

(ii) the right to inspect and, subject to payment of a reasonable fee, copy:

(a) all parts of the register of members;

(b) personal particulars of each of the Company's Directors, Supervisors, the president and other senior officers;

(iii) status of the Company's issued share capital;

(iv) the latest audited financial statements, report of Board, report of auditors and report of board of Supervisors;

(v) special resolutions of the company;

(vi) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the company for this purpose;

(vii) Minutes of Shareholders' general meeting (which only Shareholders are entitled to inspect; and

(viii) bonds stub of the Company.

16. QUORUM FOR SHAREHOLDERS MEETINGS

The Company can convene a Shareholders' meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of Shares carrying voting rights. If not, the Company shall within five days notify the Shareholders, again by announcement, of the matters proposed to be considered, the date and the place for the meeting. The Company may then hold the Shareholders' meeting after publication of such announcement.

The Company can convene a class Shareholders' meeting, if the number of Shares of the class carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of such Shares of the Company. If not, the Company shall within five days notify the Shareholders, again by announcement, of the matters proposed to be considered, the date and the place for the class meeting. The Company may then hold the class Shareholders' meeting after publication of such announcement.

17. RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the listing rules of the stock exchange on which the Shares are listed, a controlling shareholder (as defined in the Articles of Association), when exercising his rights as a Shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the Shareholders generally or of some of the Shareholders in respect of the following matters:

(i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the company;

(ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including without limitation opportunities beneficial to the company; or

(iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring of the Company submitted to and approved by Shareholders' general meeting in accordance with the Articles of Association.

18. PROCEDURE ON DISSOLUTION AND LIQUIDATION

The Company shall be dissolved in accordance with law upon occurrence of any of the following events:

(i) special resolution on dissolution is passed by Shareholders at a general meeting;

(ii) dissolution is necessary due to a merger or division of the company;

(iii) the Company's business licence is revoked or it is ordered to close down or it is cancelled according to law;

(iv) the Company is ordered to close down according to laws due to its violation of the laws and administrative regulations;

(v) where the Company's operations and management encounter serious difficulty, and its continuation will cause substantial loss to the interests of the Shareholders and no solution can be found through any other channel, Shareholders holding more than 10% of the voting rights of the Company may make requisition to the people's court to dissolve the Company.

Where the Company is dissolved by virtue of the reasons set out in items (i), (iii) and (v) in the preceding paragraph, the Company shall establish a liquidation committee within 15 days, and the members of the liquidation committee shall be selected by Directors or decided at Shareholders' general meeting.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening the Shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the Shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the Shareholders' general meeting to make a report at least once every year to the Shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the Shareholders' general meeting on completion of the liquidation.

The liquidation committee shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement on a newspaper.

The liquidation committee shall register creditors' claims so reported.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

(i) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(ii) to notify all creditors by notice or public announcements;

(iii) to dispose of and liquidate any relevant unfinished business matters of the Company;

(iv) to pay all outstanding taxes and taxes incurred during the liquidation process;

(v) to settle claims and debts;

(vi) to deal with remaining assets after the company's debts having been paid in full; and

(vii) to represent the Company in any civil proceedings.

The liquidation committee shall, after examining the Company's assets, preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the Shareholders' general meeting or the relevant governing authority for confirmation.

If the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a declaration of insolvency. After the people's court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the people's court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the Shareholders' general meeting or the people's court for confirmation. The liquidation committee shall also within 30 days after such confirmation, submit the preceding documents to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

19. OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

The Company is a joint stock limited liability company of perpetual existence.

The Company may invest in other limited liability companies, joint stock limited companies and other entities, unless otherwise stipulated by the law, the Company making such investment shall not bear joint and several liability for the debts of the enterprise in which the company invests.

The Article of Association constitute a legal binding document against the Company, its Shareholders, Directors, Supervisors and other senior officers. Pursuant to the Articles of Association Shareholders may institute legal proceedings against the Company, the Company may institute legal proceedings against Shareholders. Shareholders may institute legal proceedings against Shareholders and Shareholders may institute legal proceedings against Directors, Supervisors and senior management members of the Company. For the purposes of the Articles of Association, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

Overseas investors referred to in the Articles of Association mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for Shares issued by the Company domestic investors referred to in the Articles of Association mean those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for Shares issued by the Company.

The Company may increase its capital in the following ways:

(i) offering new Shares to none designated investors for subscription;

(ii) placing new Shares to its existing Shareholders;

(iii) allotting bonus Shares to its existing Shareholders;

(iv) issuing new Shares to designated investors;

(v) conversion of capital reserve into capital; and

(vi) any other means permitted by laws, administrative regulations and relevant regulatory authorities.

The Company's increase of capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the procedures stipulated by the PRC Company Law and other regulations and the provisions of the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

(c) Independent Directors

The Company shall establish a Board. The Board shall comprise eight Directors, including three independent Directors. Independent directors may report the relevant state of affairs directly to the Shareholders' general meeting, the securities regulatory authorities of the State Council and other relevant departments.

(d) Secretary of the Board of Directors

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

(e) Board of Supervisors

The Company shall have a board of Supervisors.

The board of Supervisors shall be composed of three members, one of whom shall be the chairman of the board of Supervisors.

The election or removal of the chairman of the board of Supervisors shall be decided by two-thirds or more of the Supervisors. Decisions of the board of Supervisors shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

The Directors and the senior officers of the Company shall not act concurrently as Supervisors. The board of Supervisors shall be accountable to the Shareholders' general meeting and exercise the following functions and powers in accordance with law:

(i) to supervise the Directors, the president and senior officers in their performance of duties and to propose the removal of Directors and senior officers who have contravened any law, administrative regulations, the Articles of Association or Shareholders resolutions;

(ii) to demand any Director and other senior officer of the Company who acts in a manner which is harmful to the company s interests to rectify such behavior;

(iii) to examine the company s financial affairs;

(iv) to review the financial reports, operation reports and profit distribution schemes to be submitted by the board to the Shareholders general meetings if there is any doubt, to engage certified public accountants and practicing auditors in the name of the company to assist their review;

(v) to propose to convene a Shareholders extraordinary general meeting and to convene and chair general meeting in case the Board fails to fulfill the obligations of the PRC company Law to convene and chair the general meeting;

(vi) to propose resolutions at a Shareholders general meeting;

(vii) vii to propose to convene an extraordinary meeting of the Board;

(viii) to institute a suit to the Directors or senior officers of the Company according to article 151 of the PRC company Law; and

(ix) other functions and powers conferred by laws and regulations and the Articles of Association.

Supervisors shall be present at meetings of the Board.

(f) General manager

The Company shall have one general manager. The general manager shall be accountable to the Board and exercise the following functions and powers:

(i) to be in charge of the Company's production, operation and management and report to the Board;

(ii) to organize the implementation of the resolutions of the Board, the Company's annual business plans and investment plans;

(iii) to draft the Company's annual financial budget plans and final accounts, and to put forward the proposal to the Board;

(iv) to draft the Company's basic management system and the plan for establishment of the Company's internal management organization;

(v) to formulate the specific rules and regulations of the Company;

(vi) to propose the employment and dismissal of the general vice president, senior vice president, chief financial officer and other senior officers;

(vii) to employ and dismiss the responsible management personnel and general employees other than those to be employed and dismissed by the Board;

(viii) to propose to convene extraordinary board meetings;

(ix) to decide the company's other issues within the scope of the Board's authority;

(x) to decide on projects such as investment, acquisition or disposal and financing which do not need to be decided by the board or the Shareholders' general meeting; and

(xi) other functions and powers granted by the Company's Articles of Association and the Board.

(g) Common reserve fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed by the Company to the Shareholders in proportion to their respective shareholdings according to the resolutions adopted at general meeting.

If the Shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the Shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the Shareholders must return the profits distributed in violation of the provision to the company.

No profits shall be distributed in respect of the Shares held by the Company.

(h) Settlement of disputes

The Company shall act according to the following principles to settle disputes:

(i) For any disputes or claims between Shareholders of overseas listed foreign Shares and the company between Shareholders of overseas listed foreign Shares and the Directors, Supervisors, the president or other senior management officers of the company between Shareholders of overseas listed foreign Shares and Shareholders of domestic invested Shares, that arise based on the rights and obligations stipulated in the Articles of Association, the PRC Company Law and the relevant laws and administrative regulations, any such disputes or claims relevant to the Company shall be referred by the relevant parties to arbitration. Where the abovementioned dispute or claim is referred to arbitration, it shall be the entire claim or dispute, and all persons (being the Company or Shareholders, Directors, Supervisors, other senior management officers of the Company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.

Disputes regarding definition of Shareholders and registration of members may be resolved other than by way of arbitration.

(ii) The claimant may refer the arbitration to either the China International Economic Centre in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(i) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (i) above shall be resolved in accordance with the laws of the PRC.

(ii) The decision made by the arbitral body shall be final and conclusive, and shall be binding on the parties.

Set out below is a summary of certain provisions of the Articles of Association of the Company.

The Company was incorporated in the PRC as a joint stock limited liability company on January 18, 2017 under the PRC Company Law. The Articles of Association comprises its constitution.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted on 16 June 2020 and will become effective on the Listing Date. The principal objective of this Appendix is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus.

1. DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue Shares

The Articles of Association does not contain any clauses that authorize the Board of Directors to allocate or issue shares. In order to allot or issue shares, the Board of Directors shall prepare a proposal for approval by Shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of the Company's or any of its subsidiaries' assets

The Board shall not, without the approval of Shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the expected value of the fixed assets of the company proposed to be disposed of; and (ii) where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet tabled before the Shareholders in general meeting.

For the purposes of this provision, disposition includes an act involving a transfer of an interest in property other than providing security by fixed assets.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Indemnification or Compensation for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor: when the Company is being acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of Shareholders in general meeting, payments or other amounts by way of compensation for loss of office or for his retirement from office. A takeover of the Company means:

(i) an offer made to all shareholders of the Company; or

(ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with the above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their Shares as a result of accepting the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and shall not be deducted from the sum distributed.

(d) Loans to Directors, Supervisors and other senior officers

The Company is prohibited from directly or indirectly making any loan or guarantee for a loan to its Directors, Supervisors, or other senior officers or the Directors, Supervisors, or other senior officers of its holding company. The Company is also prohibited from, providing any loan or guarantee for a loan in connection with a loan made by any related party to such a Director, Supervisor, or other senior officers.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

(i) the guarantee was provided in connection with a loan to a related party to a Director, Supervisor, or other senior officers of the Company or its holding company and at the time the loan was advanced the lender did not know of the relevant circumstances; or

(ii) the collateral provided by the Company has been lawfully disposed of by the lender to the purchaser in good faith.

The following transactions are not subject to the foregoing prohibition:

(i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;

(ii) the provision in accordance with the terms of an employment contract approved by the Shareholders at general meetings of a loan or a guarantee for a loan or any other funds by the Company to any of its Directors, Supervisors, or other senior officers to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform properly his duties; and

(iii) the Company may make a loan to or provide a guarantee for a loan to its relevant Directors, Supervisors, or other senior officers or other related parties where the ordinary course of its business is expanded to include the making of loans or the giving of guarantees for loans and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an act of undertaking or property provided to secure the performance of obligations by the obligor.

(e) Financial assistance provided to purchase the Shares of the Company

Subject to certain exceptions in the Articles of Association:

(i) neither the Company nor any of its subsidiaries shall at any time and in any manner provide financial assistance to a person who acquires or is proposing to acquire the Shares. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of the Shares; and

(ii) neither the Company nor any of its subsidiaries shall at any time and in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

For these purposes, "financial assistance" includes, without limitation to:

(i) assistance given by way of gift;

(ii) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity (other than an indemnity in respect of the Company's own default), or by way of release or waiver;

(iii) assistance given by way of a loan or entering into an agreement under which the Company needs to perform its obligations ahead of the other contracting parties or a change in the parties to, or the assignment of rights arising under such loan or such agreement; or

(iv) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent.

"Incurring a liability" includes incurring a liability by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one's own account or with any other person) or by changing one's financial position by any other means.

The following transactions are not prohibited:

(i) the provision of financial assistance where the Company's principal purpose for giving that assistance is genuinely for the Company's interests and not for the purpose of acquiring the Shares, or the provision of such assistance is incidental to some broader objective of the Company;

(ii) a lawful distribution of the Company's asset as dividend;

(iii) a distribution of dividends by way of Shares;

(iv) a reduction of registered share capital, repurchase of the Shares or a reorganization of the share capital effected in compliance with the Articles of Association;

(v) the provision of loans by the Company within its scope of business and in the ordinary course of its business, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits; and

(vi) the Company's contribution to employees' share schemes provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

(f) Disclosure of interests in and voting on contracts with the Company or any its subsidiaries

Where a Director, Supervisor, or other senior officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (except for employment contracts that our Company has entered into with the Directors, Supervisors, and other senior officer), he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, or other senior officer has disclosed his interest in accordance with the preceding paragraph and the contract, transaction or arrangement has been approved by the Board at a meeting in which the interested Director is not counted in the quorum and has refrained from voting, the contract, transaction or arrangement in which a Director, Supervisor, or other senior officer is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the Director, Supervisor, or other senior officer concerned. A Director, Supervisor, and other senior officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related parties have interest.

Where a Director, Supervisor, or other senior officer of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given to the Board before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

(g) Remuneration

The Company shall enter into written agreements with its Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholder's meeting. The remuneration shall include:

(i) remuneration as the Directors, Supervisors or senior officer of our Company;

(ii) remuneration as the directors, supervisors or senior officer of the subsidiaries of our Company;

(iii) remuneration for providing other services for management of our Company and our subsidiaries;

(iv) compensation received by the Directors or Supervisors as a result of loss of office or retirement.

No Director or Supervisor shall institute any litigation against our Company over any interests payable relative to the above unless provided for the above contracts.

(h) Retirement, appointment and removal

The following persons may not serve as a Director, Supervisor, general manager, or other senior officer of the Company:

(i) an individual who has no civil capacity or has restricted civil capacity;

(ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;

(iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise, which had its business licence revoked due to a violation of the law and were ordered to close down, and who were personally liable for the revocation of business licence of such company or enterprise, where less than three years have elapsed since the date of the revocation of business licence of such company or enterprise;

(v) persons with a comparatively large amount of personal debts due and unsettled;

(vi) persons who have committed criminal offences and are still under investigation by law administration authorities;

(vii) persons who were not allowed to be heads of enterprises as stipulated by laws and administrative regulations;

(viii) persons who are not natural persons;

(ix) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith by the relevant authorities, where less than five years have lapsed since the date of conviction; and

(x) other persons stipulated by the laws and regulations of where the Shares are listed.

The validity of the conduct of Directors, general manager, or other senior officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, general manager, or other senior officers.

The Board shall consist of eight Directors. A Director is not required to hold any Shares. The chairman of the Board shall be elected or removed by more than one half of all of the Directors. A Director may be removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman shall be three years and is renewable upon re-election.

The minimum length of the period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be at least seven days. Such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and no later than seven days prior to the Shareholders' general meeting.

The list of Directors' and Supervisors' candidates shall be proposed in form of a motion to the Shareholders' general meeting for resolution.

(i) Borrowing power

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Board the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders in general meeting by way of a special resolution.

(j) Liability

The Directors, Supervisors, and other senior officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, or other senior officer is in breach of his duties owed to the Company:

(i) to claim against such a Director, Supervisor, or other senior officer for losses incurred by the company as a result of his breach;

(ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, or other senior officer, or between the Company and a third party where such third party has knowledge or should have had knowledge of the breach of duty;

(iii) to account for the profits made by the Director, Supervisor, or other senior officer as a result of his breach;

(iv) to recover any monies received by the Director, Supervisor, or other senior officer which should have been received by the Company, including, without limitation, commissions;

(v) to demand the return of the interest earned or which may have been earned on any monies referred to in (iv) above by the Director, Supervisor, or other senior officer which should have been received by the Company; and

(vi) to execute legal procedures judgment that the interest of a Director, Supervisor, or other senior officer obtained through his breach of duty should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions passed at general meetings. Each Director, Supervisor, and other senior officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

(i) to act honestly in what he considers to be in the best interest of the Company;

(ii) to exercise his powers within the scope specified and not to act ultra vires;

(iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another unless and to the extent permitted by law, administrative regulations or by the Shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;

(iv) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

(v) except in accordance with the Articles of Association or with the informed consent of Shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(vi) not without the approval of the Shareholders, having been informed of the relevant facts, at general meeting, to use the Company's assets for his personal benefit in any manner;

(vii) not to use his position to accept bribes or other illegal income and not to misappropriate the Company's fund or expropriate the Company's assets in any manner including (without limitation) opportunities beneficial to the Company;

(viii) not without the informed consent of Shareholders in general meeting, to accept commissions in connection with the Company's transactions;

(ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;

(x) not to compete with the Company in any way except with the informed consent of Shareholders given in general meeting;

(xi) not to misappropriate the Company's funds, not to open any bank account in his own name or other name for the deposit of the Company's assets or funds, and not to violate the provision of the Articles of Association to lend the Company's funds to others or provide security of the Company's assets for debts of Shareholders or other individuals without the approval of Shareholders general meeting or the board; and

(xii) without the informed consent of Shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a relevant governmental authority is permitted where (i) the disclosure is made under compulsion of law, (ii) there is a duty to the public to disclose, or (iii) the personal interests of the Director, Supervisor, the president or other senior officer require disclosure.

A Director, Supervisor, or other senior officer of the Company shall not direct parties related to him to do what he is not permitted to do. A party is related to a Director, Supervisor, or other senior officer if he is:

(i) the spouse or minor child of such a Director, Supervisor, or other senior officer;

(ii) a trustee for such a Director, Supervisor, or other senior officer or any person referred to in (i) above;

(iii) a partner of such a Director, Supervisor, or other senior officer or of any person referred to in (i)and (ii);

(iv) a company in which that a Director, Supervisor, or other senior officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, or other senior officers of the Company have de facto control; or

(v) a Director, Supervisor, or other senior officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, liabilities of a Director, Supervisor, or other senior officer arising from the violation of a specified duty may be released by informed Shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Shares are listed, Directors, Supervisors, and other senior officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the Shareholders:

(i) not to cause the Company to go beyond the business scope specified in its business licence;

(ii) to act honestly in what they consider to be the best interest of the Company;

(iii) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and

(iv) not to deprive Shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a Shareholders' general meeting.

Each of the Directors, Supervisors, and other senior officers of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

2. MODIFICATION OF THE ARTICLES OF ASSOCIATION

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

The Company may not vary or abrogate rights attached to any class of Shares unless approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

(i) to increase or decrease the number of Shares of such class, or increase or decrease the number of Shares of a class having voting or distribution rights or other privileges equal or superior to the Shares of such class;

(ii) to effect an exchange of all or part of the Shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;

(iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;

(iv) to reduce or remove a dividend preference or a liquidation preference attached to Shares of such class;

(v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of such class;

(vi) to remove or reduce rights of such class of Shares to receive payments from the Company in any particular currency;

(vii) to create a new class of Shares having voting or distribution rights or privileges equal or superior to the Shares of such class;

(viii) to restrict the transfer or ownership of the Shares of such class or to increase any such restrictions;

(ix) to issue rights to subscribe for, or convert into, Shares in the Company of such class or another class;

(x) to increase the rights or privileges of another class;

(xi) to restructure the Company where the proposed restructuring will result in different classes of Shareholders bearing a disproportionate burden of such restructuring; and

(xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of Shareholders shall require the approval of Shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

The time limit for the Company to convene a Class Shareholders' meeting and issue a written notice shall be the same as the written notice period of non-class general meeting to be convened on the same day of the convening of the class meeting. Written notice shall be given to notify all the registered Shareholders holding Shares of that class of the matters to be considered at the meeting and the date and the place of the meeting. The Company shall not include the date of the meeting when calculating the above-mentioned starting date.

If there are special provisions in the listing rules for the Company's stock listing, the provisions shall prevail.

Notice of class meetings need only be served on Shareholders entitled to vote thereat.

Meetings of any class of Shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of Shareholders set out in the Articles of Association. The provisions of the Articles of Association relating to the conduct of any general meeting of Shareholders shall apply to any class meeting.

In addition to holders of other class of Shares, holders of Domestic Shares and overseas listed foreign Shares are deemed to be Shareholders of different classes. Voting by holders of different classes of Shares is not applicable in the following situations:

(i) where the Company issues, upon the approval by special resolution of its Shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares or overseas listed foreign Shares;

(ii) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares and overseas listed foreign Shares; and

(iii) where Shares of our Company registered on domestic share register are transferred to overseas investors, and such transferred Shares are listed or traded on an overseas stock exchange, upon the approval by the securities regulatory authorities of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an "Interested Shareholder" is:

(i) in the case of a repurchase of Shares by offers to all Shareholders in the same proportion or public dealing on the Hong Kong Stock Exchange, a controlling Shareholder within the meaning of the Articles of Association;

(ii) in the case of a repurchase of Shares by an off-market contract other than on Hong Kong Stock Exchange under the Articles of Association, a Shareholder to whom the proposed contract is related;

(iii) in the proposal of a restructure of the Company, a Shareholder within a class who bears less than a proportionate amount of obligations imposed on the Shareholders of that class or who has an interest different from the interest of the other Shareholders of that class.

4. SPECIAL RESOLUTIONS – MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than one half of the votes represented by Shareholders (including proxies) present at the Shareholders' general meeting must be exercised in favor of the resolution.

To adopt a special resolution, more than two thirds of the votes represented by the Shareholders (including proxies) present at the Shareholders' general meeting must be exercised in favor of the resolution.

5. VOTING RIGHTS (GENERALLY RELATING TO RIGHT ON POLL OR RIGHTS TO DEMAND A POLL)

The Shareholders have the right to attend or appoint a proxy to attend Shareholders' general meetings and to vote thereat. Shareholders (including proxies) when voting at a Shareholders' general meeting may exercise voting rights in accordance with the number of Shares carrying the right to vote and each Share shall have one vote.

At any Shareholders' meeting, voting shall be on a poll (except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). On a poll taken at a meeting, a Shareholder (including his proxy) entitled to two or more votes needs not cast all his votes in the same way.

In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the financial year end.

7. ACCOUNT AND AUDIT

(a) Financial and accounting system

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and rules formulated by relevant state authorities.

The Board of the Company shall place before the Shareholders at every annual general meeting such financial reports as are required by laws, administrative regulations or directives promulgated by local governments and supervisory authorities.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or accounting standards of the place outside China where the Shares are listed. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different sets of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by Shareholders 20 days before the annual general meeting. Every Shareholder of the Company is entitled to a copy of the financial reports.

A copy of the above financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holders of overseas listed foreign Shares as shown on the register of Shareholders.

The Company shall disclose its financial reports prepared in accordance with either international accounting standards or accounting standards of the place outside China where the Shares are listed two times in each financial year, that is, its interim financial reports within 3 months of the end of the first six months of a financial year and its annual financial reports within 4 months of its financial year end.

The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of auditor

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

The first accounting firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting of Shareholder until the conclusion of the next annual general meeting of Shareholders.

The Shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by the Shareholders in general meeting.

The Company's appointment of, removal of and non-renewal of an accounting firm shall be resolved upon by the Shareholders in general meeting. The remuneration of the accounting firm appointed by the Board shall be confirmed by the Board.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm shall have the right to attend and to make representation to the Shareholders' general meeting.

Where the accounting firm resigns its post, it shall make clear to the Shareholders' general meeting whether there is any impropriety on the part of the Company.

The accounting firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or

(ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen days send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for Shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign Shares at the address registered in the register of Shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the Shareholders or creditors of the Company, it may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

8. NOTICE AND SCHEDULE OF THE GENERAL MEETING

The Shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, or other senior officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of Shareholders in general meeting.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

(i) when the number of Directors is less than the number of Directors required by the PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association;

(ii) when the unaccounted losses of the Company amount to one third of the total amount of its paid in share capital;

(iii) when Shareholder(s) individually or collectively holding 10% or more of the Shares requests in writing the convening of an extraordinary general meeting;

(iv) when the board considers necessary or upon the request of the board of Supervisors;

(v) when two or more independent directors so request; and

(vi) other situations stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the Shares are listed or the Articles of Association.

To convene a general meeting, each Shareholder of the Company shall be notified, 20 days before the meeting is held, of the time and the venue of the meeting and the matters to be deliberated. To convene an extraordinary general meeting, each Shareholder shall be notified 15 days before the meeting is held.

At least 10 days before the Company is to convene a general meeting, Shareholders individually or collectively holding 3% or more of Shares carrying voting rights shall have the right to put forward new resolutions in writing to the Company.

The Shareholders' general meeting shall not make a resolution on matters not specified in the notice of the general meeting.

A notice of meeting of Shareholders shall:

(i) be in writing;

(ii) specify the time, place and the date of the meeting;

(iii) state the matters and proposals to be discussed at the meeting;

(iv) provide such information and explanation as are necessary for the Shareholders to exercise an informed judgment on the proposals before them, including (but not limited to) where a proposal is made to amalgamate the Company with another company, to repurchase the Shares, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;

(v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, or other senior officer in the matter proposed and the effect of the proposed matter on them in their capacity as Shareholders in so far as it is different from the effect on the interests of other Shareholders of the same class;

(vi) contain the full text of any special resolution proposed to be passed at the meeting;

(vii) contain conspicuously a statement that a Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him and that a proxy needs not be a Shareholder; and

(viii) specify the time and place for lodging proxy forms for the relevant meeting.

Public announcement of notices of Shareholders' general meetings shall be published in one or more than one newspaper designated by the security authorities of the State Council during 20 days to 25 days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant Shareholders' meeting. The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Shareholders requisitioning an extraordinary general meeting of Shareholders or class meeting shall abide by the following procedures:

(i) Shareholder(s) individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class Shareholders' meeting. The Board shall as soon as possible after receipt of such written requisition(s) proceed to so convene the extraordinary general meeting or class Shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).

(ii) Where the Board fails to issue notice of convening meeting within 30 days upon receipt of the above written request, Shareholder(s) individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may request by written requisition(s) the board of Supervisors to convene the extraordinary general meeting or class Shareholders' meeting.

(iii) Where the board of Supervisors fails to issue notice of convening meeting within 30 days upon receipt of the above written request, Shareholder(s), for more than 90 consecutive days, individually or collectively holding more than 10% of the Shares carrying voting rights at the meeting to be convened may convene the meeting on their own accord within four months upon the Board having received such request. The convening procedures shall, to the extent possible, be identical to procedures according to which general meetings are to be convened by the Board.

The matters which require the sanction of an ordinary resolution at a Shareholders' general meeting shall include:

(i) work reports of the Board and the Board of Supervisors;

(ii) plans for the distribution of profits and for making up losses proposed by the Board;

(iii) the election and removal of the members of the Board and Supervisors (except for staff representative Supervisors), their remuneration and method of payment;

(iv) the annual budget and final account report, balance sheet, profit and loss statement and other financial statement of the Company; and

(v) all other matters except those required to be adopted by special resolution as required by the laws and regulations or the Articles of Association.

The matters which require the sanction of a special resolution at a Shareholders' general meeting include:

(i) the increase in or reduction of share capital, issue of any class of Shares, warrants and other similar securities of the Company;

(ii) the issue of corporate debentures;

(iii) the division merger dissolution or liquidation of the Company;

(iv) the change of the form of the Company;

(v) the matters where the amount of the Company's purchasing or selling of material assets or warranting in one year exceeds of the recently audited total assets;

(vi) amendments to the articles of association;

(vii) consider and implement equity incentive plan;

(viii) other matters which were required by the laws, administrative regulations or by the Articles of Association, or matters adopted by passing ordinary resolutions at general meetings as having material impact on the Company that are required to be adopted by special resolutions; and

(ix) other matters required by the Listing Rules to be adopted by special resolution.

9. TRANSFER OF SHARES

Subject to the approval of the securities regulatory authorities of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

Shares of the Company held by the Promoters are not transferable within one year commencing from the date of establishment of the Company.

The Directors, Supervisors and senior officers of the Company shall report to the Company the number of Shares held by them in the Company and the subsequent changes in their shareholdings. The number of Shares which a Director, Supervisor or senior officer may transfer every year during his term of office shall not exceed 25% of the total number of the Shares in his or her possession. Such personnel shall not transfer the Shares in their possession within six months after they have terminated their employment with the Company.

All fully paid up Overseas Listed Foreign Shares listed in Hong Kong may be transferred freely pursuant to the Articles of Association. However, unless the Overseas Listed Foreign Shares listed in Hong Kong meet the following conditions, the Board of Director may refuse to recognize any transfer document without giving any reason:

(i) any transfer documents and files related to stock ownership or may affect stock ownership are required registration, and one shall pay our Company registration fee of HK$2.5 for each transfer document, or the higher cost determined by the Board, but such fees shall not exceed the maximum fees prescribed in Listing Rules of the Hong Kong Stock Exchange on occasion;

(ii) the instrument of transfer relates only to Overseas Listed Foreign Shares listed in Hong Kong;

(iii) payment in full of any stamp duty due on the instrument of transfer;

(iv) provision of the relevant share certificates and any other evidence reasonably required by the Board to prove the transferor's right to make the transfer;

(v) if the Shares are to be transferred to joint holders, the number of joint holders shall not exceed four;

(vi) the relevant Shares of our Company are free from all liens.

If the Company refuses to register a transfer of any share, it shall, within two months after the date on which the formal application for transfer was lodged with the Company, send to the transferor and the transferee a notice of refusal to register the transfer of such share.

Any change or correction in each part of the register of Shareholders, shall, according to the laws and regulations of the city where the part of the register of Shareholders is kept.

No changes in the Shareholders' register due to the transfer of Shares may be made within 30 days before the date of a general meeting or within five days before the record date for the Company's distribution of dividends.

10. POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, according to provisions of laws, administrative regulations, Listing Rules, departmental rules and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its Shares under the following circumstances:

(i) where the Company reduces its registered capital;

(ii) where the Company merges with other companies that hold its shares;

(iii) where the Company acquires its own shares for employee stock ownership plans or equity incentives;

(iv) where a shareholder of the Company has objections to the resolution on the merger or division of the Company as adopted at the general meeting and requires the Company to acquire its shares;

(v) where the Company acquires its own shares to convert the corporate bonds issued thereby that are convertible to shares;

(vi) where the Company needs to acquire its own shares to maintain its value and the rights and interests of shareholders; or

(vii) the relevant Shares of the Company are free from all liens.

Where the Company acquires its own shares under item (i) or item (ii) of the preceding paragraph, a resolution thereon shall be adopted by the general meeting. Where the Company acquires its own shares under item (iii), item (v) or item (vi) of the preceding paragraph, the Company may, pursuant to its Articles of Association or according to the authorization granted by the general meeting, proceed with such acquisition upon a resolution adopted at a meeting of the Board of Directors that is attended by at least two-thirds of all directors.

After acquiring its own shares under item (i) of paragraph 1 of this Article, the Company shall deregister the acquired shares within ten days from the date of acquisition; after acquiring its own shares under item (i) or item (iv) of paragraph 1 of this Article, the Company shall transfer or deregister the acquired shares within six months; and, after acquiring its own shares under item (iii), item (v) or item (vi) of paragraph 1 of this Article, the company shall ensure that the total number of its own shares held thereby is not in excess of 10% of its total outstanding shares and shall transfer or deregister the acquired shares within three years.

A listed company that acquires its own shares shall perform information disclosure obligations in accordance with the Securities Law of the PRC. A listed company that acquires its own shares under item (iii), item (v) or item (vi) of paragraph 1 of this Article shall conduct such acquisition by way of open centralized trading.

The Company shall not accept its own shares as the subject matter for pledges.

After cancelling the repurchased Shares lawfully, the Company shall apply to the original companies registration authority for registration of the change of its registered capital and issue a relevant announcement.

The Company may, upon the approval of the relevant state governing authorities, repurchase its Shares in one of the following ways:

(i) making a pro rata general offer of repurchase to all the Shareholders;

(ii) repurchasing Shares through public dealing on a stock exchange;

(iii) repurchasing by an off market agreement outside a stock exchange; and

(iv) other circumstances permitted by the laws and administrative regulations and approved by the governing authority.

The Company may, with the prior approval of Shareholders obtained at a Shareholder's meeting in accordance with the Articles of Association, repurchase its Shares by an off-market contract but the Company may rescind or vary such contract or waive any of its rights under a contract so entered into by the Company with the prior approval of Shareholders obtained at a Shareholder's meeting in the same manner. A contract to repurchase Shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase and acquire rights to repurchase Shares.

The Company shall not assign a contract to repurchase its Shares or any of its rights thereunder. Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to repurchase of its issued Shares:

(i) where the Company repurchases its Shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new Shares made for the purpose of the repurchase;

(ii) where the Company repurchases its Shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new Shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:

(a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

(b) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new Shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the Shares repurchased nor the current amount of the share premium account or the capital reserve fund account of the Company (including the premiums on the new issues at the time of the repurchase);

(iii) payment by the Company for the following purposes shall be made out of the Company's distributable profits:

(a) acquisition of rights to repurchase Shares;

(b) variation of any contract to repurchase Shares;

(c) release of the Company's obligations under a contract to repurchase Shares; and

(iv) After the Company's registered capital has been reduced by the aggregate par value of the cancelled Shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased Shares shall be transferred to the Company's share premium account (or capital reserve fund account).

Where the Company has the power to repurchase a redeemable Share:

(i) the repurchase not made through the market or by tender shall be limited to a certain maximum price; and

(ii) if the repurchase are by tender, tenders shall be available to all Shareholders on equal conditions.

11. POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contains no restrictions preventing any subsidiary of the Company from holding Shares.

12. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash and/or Shares.

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the holder of the Share to participate in respect thereof in a dividend subsequently declared.

The Company shall appoint on behalf of holders of overseas listed foreign Shares receiving agents to receive on behalf of such Shareholders dividends and other monies payable by the Company in respect of their Shares.

The receiving agent appointed by the Company on behalf of holders of overseas listed foreign Shares listed on the Hong Kong Stock Exchange shall be a registered trust company under the Hong Kong Trustee Ordinance.

13. PROXIES OF SHAREHOLDERS

Any Shareholder entitled to attend and vote at a Shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a Shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that Shareholder:

(i) the Shareholder s right to speak at the meeting;

(ii) the right to demand whether on his own or together with others a poll; and

(iii) the right to vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy proposes to vote. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its board of directors or other governing body shall attend the Shareholders' general meeting as the appointor's representative.

Any form issued to a Shareholder by the Board for the purpose of appointing a proxy shall be in such form which enables the Shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

14. CALLS ON SHARES AND FORFEITURE OF SHARES

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the relevant Shareholder to participate in respect thereof in a dividend subsequently declared.

Subject to compliance with the relevant laws and administrative regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised after the expiry of the relevant time frame.

15. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company shall keep a register of Shareholders.

The Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organizations, keep its original register of holders of overseas listed foreign Shares overseas and appoint overseas agent(s) to manage such share register.

Duplicates of the share register for holders of overseas listed foreign Shares shall be maintained at the Company's place of domicile. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. The original register of overseas listed foreign Shares listed in Hong Kong shall be maintained in Hong Kong.

If there is any inconsistency between the original and the duplicate of share register for holders of foreign Shares, the original shall prevail.

The Company shall keep a complete register of Shareholders.

The register of Shareholders shall comprise of the following parts:

(i) register(s) of Shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the Company;

(ii) register(s) of holders of the Company's overseas listed foreign Shares kept in the place of the stock exchange(s) where those foreign Shares are traded; and

(iii) register(s) of Shareholders kept at other places as the Board thinks necessary for the purpose of listing.

Different parts of the register of Shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of Shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

No changes which are required by reason of a transfer of Shares may be made to the register of Shareholders within 30 days prior to the date of a Shareholders' general meeting or five days prior to the record date for the Company's distribution of dividends.

When the Company decides to convene a Shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as a Shareholder at the end of the record date shall be a Shareholder.

Any person who objects to the register of Shareholders and requests to register his name on, or delete his name from the register may apply to the court with jurisdiction to amend the register.

The right of the Shareholders to information includes, but without limitation, the following:

(i) the right to a copy of the Articles of Association after payment of a reasonable fee;

(ii) the right to inspect and, subject to payment of a reasonable fee, copy:

(a) all parts of the register of members;

(b) personal particulars of each of the Company's Directors, Supervisors, the president and other senior officers;

(iii) status of the Company's issued share capital;

(iv) the latest audited financial statements, report of Board, report of auditors and report of board of Supervisors;

(v) special resolutions of the Company;

(vi) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;

(vii) Minutes of Shareholders' general meeting (which only Shareholders are entitled to inspect); and

(viii) bonds stub of the Company.

16. QUORUM FOR SHAREHOLDERS MEETINGS

The Company can convene a Shareholders' meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of Shares carrying voting rights. If not, the Company shall within five days notify the Shareholders, again by announcement, of the matters proposed to be considered, the date and the place for the meeting. The Company may then hold the Shareholders' meeting after publication of such announcement.

The Company can convene a class Shareholders' meeting, if the number of Shares of the class carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of such Shares of the Company. If not, the Company shall within five days notify the Shareholders, again by announcement, of the matters proposed to be considered, the date and the place for the class meeting. The Company may then hold the class Shareholders' meeting after publication of such announcement.

17. RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the listing rules of the stock exchange on which the Shares are listed, a controlling Shareholder, when exercising his rights as a Shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the Shareholders generally or of some of the Shareholders in respect of the following matters:

(i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;

(ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including without limitation opportunities beneficial to the Company; or

(iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring of the Company submitted to and approved by Shareholders' general meeting in accordance with the Articles of Association.

18. PROCEDURE ON DISSOLUTION AND LIQUIDATION

The Company shall be dissolved in accordance with law upon occurrence of any of the following events:

(i) special resolution on dissolution is passed by Shareholders at a general meeting;

(ii) dissolution is necessary due to a merger or division of the Company;

(iii) the Company's business licence is revoked or it is ordered to close down or it is cancelled according to law;

(iv) the Company is ordered to close down according to laws due to its violation of the laws and administrative regulations;

(v) where the Company's operations and management encounter serious difficulty, and its continuation will cause substantial loss to the interests of the Shareholders and no solution can be found through any other channel, Shareholders holding more than 10% of the voting rights of the Company may make requisition to the people's court to dissolve the Company.

Where the Company is dissolved by virtue of the reasons set out in items (i), (iii) and (v) in the preceding paragraph, the Company shall establish a liquidation committee within 15 days, and the members of the liquidation committee shall be selected by Directors or decided at Shareholders' general meeting.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening the Shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the Shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the Shareholders' general meeting to make a report at least once every year to the Shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the Shareholders' general meeting on completion of the liquidation.

The liquidation committee shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement on a newspaper.

The liquidation committee shall register creditors' claims so reported.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

(i) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(ii) to notify all creditors by notice or public announcements;

(iii) to dispose of and liquidate any relevant unfinished business matters of the Company;

(iv) to pay all outstanding taxes and taxes incurred during the liquidation process;

(v) to settle claims and debts;

(vi) to deal with remaining assets after the Company's debts having been paid in full; and

(vii) to represent the Company in any civil proceedings.

The liquidation committee shall, after examining the Company's assets, preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the Shareholders' general meeting or the relevant governing authority for confirmation.

If the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a declaration of insolvency. After the people's court has declared the Company insolvent, the Company's liquidation committee shall turn over any matters regarding the liquidation to the people's court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the Shareholders' general meeting or the people's court for confirmation. The liquidation committee shall also within 30 days after such confirmation, submit the preceding documents to the Company's registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

19. OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

The Company is a joint stock limited liability company of perpetual existence.

The Company may invest in other limited liability companies, joint stock limited companies and other entities, unless otherwise stipulated by the law, the Company making such investment shall not bear joint and several liability for the debts of the enterprise in which the Company invests.

The Article of Association constitute a legal binding document against the Company, its Shareholders, Directors, Supervisors and other senior officers. Pursuant to the Articles of Association, Shareholders may institute legal proceedings against the Company, the Company may institute legal proceedings against Shareholders. Shareholders may institute legal proceedings against Shareholders and Shareholders may institute legal proceedings against Directors, Supervisors and senior management members of the Company. For the purposes of the Articles of Association, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

Overseas investors referred to in the Articles of Association mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for Shares issued by the Company, domestic investors referred to in the Articles of Association mean those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for Shares issued by the Company.

The Company may increase its capital in the following ways:

(i) offering new Shares to none designated investors for subscription;

(ii) placing new Shares to its existing Shareholders;

(iii) allotting bonus Shares to its existing Shareholders;

(iv) issuing new Shares to designated investors;

(v) conversion of capital reserve into capital; and

(vi) any other means permitted by laws, administrative regulations and relevant regulatory authorities.

The Company's increase of capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the procedures stipulated by the PRC Company Law and other regulations and the provisions of the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

(c) Independent Directors

The Company shall establish a Board. The Board shall comprise 8 Directors, including 3 independent Directors. Independent directors may report the relevant state of affairs directly to the Shareholders' general meeting, the securities regulatory authorities of the State Council and other relevant departments.

(d) Secretary of the Board of Directors

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

(e) Board of Supervisors

The Company shall have a board of Supervisors.

The board of Supervisors shall be composed of three members, one of whom shall be the chairman of the board of Supervisors.

The election or removal of the chairman of the board of Supervisors shall be decided by two-thirds or more of the Supervisors. Decisions of the board of Supervisors shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

The Directors and the senior officers of the Company shall not act concurrently as Supervisors. The board of Supervisors shall be accountable to the Shareholders' general meeting and exercise the following functions and powers in accordance with law:

(i) to supervise the Directors, the president and senior officers in their performance of duties and to propose the removal of Directors and senior officers who have contravened any law, administrative regulations, the Articles of Association or Shareholders resolutions;

(ii) to demand any Director and other senior officer of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior;

(iii) to examine the Company's financial affairs;

(iv) to review the financial reports, operation reports and profit distribution schemes to be submitted by the board to the Shareholders general meetings, if there is any doubt, to engage certified public accountants and practicing auditors in the name of the Company to assist their review;

(v) to propose to convene a Shareholder's extraordinary general meeting and to convene and chair general meeting in case the Board fails to fulfill the obligations of the PRC Company Law to convene and chair the general meeting;

(vi) to propose resolutions at a Shareholders general meeting;

(vii) to propose to convene an extraordinary meeting of the Board;

(viii) to institute a suit to the Directors or senior officers of the Company according to article 151 of the PRC Company Law; and

(ix) other functions and powers conferred by laws and regulations and the Articles of Association.

Supervisors shall be present at meetings of the Board.

(f) General manager

The Company shall have one general manager. The general manager shall be accountable to the Board and exercise the following functions and powers:

(i) to be in charge of the Company's production, operation and management and report to the Board;

(ii) to organize the implementation of the resolutions of the Board, the Company's annual business plans and investment plans;

(iii) to draft the Company's annual financial budget plans and final accounts, and to put forward the proposal to the Board;

(iv) to draft the Company's basic management system and the plan for establishment of the Company's internal management organization;

(v) to formulate the specific rules and regulations of the Company;

(vi) to propose the employment and dismissal of the general vice president, senior vice president, chief financial officer and other senior officers;

(vii) to employ and dismiss the responsible management personnel and general employees other than those to be employed and dismissed by the Board;

(viii) to propose to convene extraordinary board meetings;

(ix) to decide the Company's other issues within the scope of the Board's authority;

(x) to decide on projects such as investment, acquisition or disposal and financing which do not need to be decided by the board or the Shareholders' general meeting; and

(xi) other functions and powers granted by the Company's Articles of Association and the Board.

(g) Common reserve fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed by the Company to the Shareholders in proportion to their respective shareholdings according to the resolutions adopted at general meeting.

If the Shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the Shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the Shareholders must return the profits distributed in violation of the provision to the Company.

No profits shall be distributed in respect of the Shares held by the Company.

(h) Settlement of disputes

The Company shall act according to the following principles to settle disputes:

(i) For any disputes or claims between Shareholders of overseas listed foreign Shares and the Company, between Shareholders of overseas listed foreign Shares and the Directors, Supervisors, the president or other senior management officers of the Company, between Shareholders of overseas listed foreign Shares and Shareholders of domestic invested Shares, that arise based on the rights and obligations stipulated in the Articles of Association, the PRC Company Law and the relevant laws and administrative regulations, any such disputes or claims relevant to the Company shall be referred by the relevant parties to arbitration. Where the abovementioned dispute or claim is referred to arbitration, it shall be the entire claim or dispute, and all persons (being the Company or Shareholders, Directors, Supervisors, other senior management officers of the Company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.

Disputes regarding definition of Shareholders and registration of members may be resolved other than by way of arbitration.

(ii) The claimant may refer the arbitration to either the China International Economic Centre in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(i) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (i) above shall be resolved in accordance with the laws of the PRC.

(ii) The decision made by the arbitral body shall be final and conclusive, and shall be binding on the parties.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Establishment of our Company

Our Company was established in the PRC as a limited liability company on 15 March 1998 and was converted into a joint stock limited liability company on 18 January 2017. We established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, and was registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on 3 December 2019. Ms. Sun Ah Tsang and Ms. Ho Siu Pik, an executive director of the corporate services division of Tricor Services Limited, have been appointed as our agents for the acceptance of service of process in Hong Kong.

As we are established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix V to this prospectus.

2. Changes in registered capital of our Company

Pursuant to the shareholders' resolutions passed by the then shareholders of our Company on 10 January 2017, our Company was converted from a limited liability company into a joint stock limited company with a registered capital of RMB100,000,000 divided into 100,000,000 Shares of nominal value of RMB1 each, all of which were fully paid up. All the then shareholders of our Company were allotted and issued such number of shares corresponding to the proportion of the respective equity interest in our Company prior to the conversion. The subscription price for these initial shares was based on the net asset value of our Company as at 31 October 2016.

As at the Latest Practicable Date, the share capital of our Company was RMB100,000,000 divided into 100,000,000 Shares of nominal value of RMB1 each, all of which were fully paid up and were held as to in aggregate approximately 31.72% by Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) together as Concert Parties, approximately 32.76% by City Development and approximately 34.10% by the other Shareholders. Please refer to the paragraph headed "History and Corporate Structure – Our Group" of this prospectus for more information relating to the shareholding and corporate structure of our Group immediately prior to the Global Offering.

Assuming the Over-allotment Option is not exercised, immediately upon completion of the Global Offering, the registered capital of our Company will be RMB133,340,000, made up of 100,000,000 Domestic Shares and 33,340,000 H Shares, with a nominal value of RMB1 each.

Assuming the Over-allotment Option is exercised in full and, immediately upon completion of the Global Offering, the registered capital of our Company will be RMB138,341,000, made up of 100,000,000 Domestic Shares and 38,341,000 H Shares, with nominal value of RMB1 each.

Save as disclosed in this paragraph and in the paragraph headed "History and Corporate Structure – Establishment and Major Shareholding Changes Concerning Our Company and the Major Operating Subsidiary of Our Company" of this prospectus, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Resolutions of all Shareholders passed on 23 September 2019

At our Shareholders' meeting held on 23 September 2019, among other things, the following resolutions were passed by our Shareholders:

(a) approving the issue of the H Shares by our Company and the Listing;

(b) subject to completion of the Global Offering, the Articles of Association has been approved, which shall become effective on the Listing Date; and

(c) approving the Board to handle all matters relating to, among other thing, the issue of the H Shares and the Listing.

4. Changes in share capital of our subsidiaries

As at the Latest Practicable Date, our Group comprised our Company, five subsidiaries, namely Jia'an, Jiaran Liquefied Gas, Jiaran New Energy, Jie'an and Gangqu Gas, one major joint venture, namely, Hangjiaxin*(Note)* and one subsidiary of our major joint venture. The following alternations in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus.

Hangjia Liquefied Gas

Hangjia Liquefied Gas was established under the laws of the PRC on 27 December 2019 with the registered capital of RMB30,000,000. As at the Latest Practicable Date, RMB6,000,000 had been paid up and the remaining shall be paid up by Hangjiaxin, Ms. Yao Xiaoying (姚曉英) and Jiaxing Yunheng Information Technology Company Limited* (嘉興市運恒信息技術有限公司) according to their respective interests.

Save for the alterations described in paragraph 2 above, this paragraph, and in the paragraph headed "History and Corporate Structure – Establishment and Major Shareholding Changes Concerning Our Company and the Major Operating Subsidiary of Our Company" of this prospectus, there is no alteration in the share capital of our Group which took place within the two years immediately preceding the date of this prospectus.

Note: Hangjiaxin is a subsidiary under the definition of the Listing Rules, but accounted for a joint venture to our Group pursuant to the relevant applicable accounting standards with the use of equity accounting method. Please refer to the paragraph headed "Dushan Port Project – Hangjiaxin As Our Joint Venture" in this prospectus for the basis of regarding Hangjiaxin as our joint venture.

5. Further information of our subsidiaries

Our Group had interest in the registered capital of the following entities in the PRC as at the Latest Practicable Date. A summary of the corporate information of each of these entities as at the Latest Practicable Date is set out as follows:

(A) Jia'an

(i)	Name of the enterprise:	Jiaxing Jia'an Gas Technology Service Company Limited* (嘉興市佳安燃氣技術服務有限公司)
(ii)	Economic nature:	Limited liability company
(iii)	Registered owner:	Our Company
(iv)	Registered capital:	RMB10,000,000 (fully paid up)
(v)	Attributable interest to our Group:	100%
(vi)	Term of operation:	19 December 2006 to 18 December 2026
(vii)	Scope of business:	Natural gas (compressed), natural gas (liquefied), propane, butane, LPG (direct sales) technology consulting services; gas technology promotion services; maintenance and repair of gas stoves and gas pipeline network facilities; pressure pipe installation, maintenance, industrial pipe installation, municipal engineering, fire engineering, indoor and outdoor decoration, engineering design, construction; gas pipe, equipment and accessories, hardware, power supply, kitchen, bathroom appliances and daily groceries, building materials, steel and its rolled products, mechanical equipment, electronic products, plastic products, wholesale, retail of household electrical appliances. (For items requiring legal approval, operation can only be commenced upon approval from relevant departments)

(B) Jiaran Liquefied Gas

(i)	Name of the enterprise:	Jiaxing Jiaran Liquefied Gas Company Limited* (嘉興市嘉燃液化氣有限公司)
(ii)	Economic nature:	Limited liability company
(iii)	Registered owner:	Our Company
(iv)	Registered capital:	RMB5,000,000 (fully paid up)
(v)	Attributable interest to our Group:	100%
(vi)	Term of operation:	16 April 2012 to 15 April 2032
(vii)	Scope of business:	Bottled gas (LPG) integrated operation (storage, filling, supply) (valid gas business licence required); sales of liquefied gas cylinders, stoves and accessories. (For items requiring legal approval, operation can only be commenced upon approval from relevant departments)

(C) Jiaran New Energy

(i)	Name of the enterprise:	Jiaxing Jiaran New Energy Company Limited* (嘉興市嘉燃新能源有限公司)
(ii)	Economic nature:	Limited liability company
(iii)	Registered owner:	Our Company
(iv)	Registered capital:	RMB20,000,000 (fully paid up)
(v)	Attributable interest to our Group:	100%
(vi)	Term of operation:	3 August 2016 to 2 August 2036
(vii)	Scope of business:	Distributed energy construction and operation, contract energy management, energy-saving renovation, boiler operation; sales of steam, hot water, electricity and other cold and heat energy, mechanical and electrical products; energy-saving technology consulting. (For items requiring legal approval, operation can only be commenced upon approval from relevant departments)

(D) Jie'an

(i)	Name of the enterprise:	Jiaxing Jie'an Transportation Company Limited* (嘉興市捷安運輸有限公司)
(ii)	Economic nature:	Limited liability company
(iii)	Registered owners:	Our Company (80%), Gangqu Gas (20%)
(iv)	Registered capital:	RMB5,000,000 (fully paid up)
(v)	Attributable interest to our Group:	93%
(vi)	Term of operation:	4 September 2006 to 3 September 2026
(vii)	Scope of business:	Freight: Dangerous goods transport (except for highly toxic chemicals) (For items requiring legal approval, operation can only be commenced upon approval from relevant departments)

(E) Gangqu Gas

(i)	Name of the enterprise:	Jiaxing Gangqu Natural Gas Company Limited* (嘉興市港區天然氣有限公司)
(ii)	Economic nature:	Limited liability company
(iii)	Registered owners:	Our Company (65%), Jiaxing Binhai Holding Group Co., Ltd.* (嘉興濱海控股集團有限公司) (35%)
(iv)	Registered capital:	RMB16,000,000 (fully paid up)
(v)	Attributable interest to our Group:	65%
(vi)	Term of operation:	15 August 2003 to 14 August 2033

(vii)	Scope of business:	Bottled gas (LPG, LNG), pipeline gas (natural gas) operation (valid gas business licence required); natural gas pipeline network investment, construction, operation and management, development of natural gas related products, investment in natural gas municipal projects, development and operational; providing technical services to customers; providing technical services to customers, sales of liquefied gas cylinders, stoves and accessories. (For items requiring legal approval, operation can only be commenced upon approval from relevant departments)

(F) Hangjiaxin

(i)	Name of the enterprise:	Zhejiang Hangjiaxin Clean Energy Company Limited* (浙江杭嘉鑫清潔能源有限公司)
(ii)	Economic nature:	Limited liability company
(iii)	Registered owners:	Our Company (51%) and Hangzhou Gas (49%)
(iv)	Registered capital:	RMB700,000,000 (as at the Latest Practicable Date, RMB304,310,000 had been paid up and the remaining shall be paid up by our Company and Hangzhou Gas by July 2067 according to their respective interests)
(v)	Attributable interest to our Group:	51%
(vi)	Term of operation:	24 July 2017 to 23 July 2067
(vii)	Scope of business:	Construction management of LNG reservoir areas and terminals; engaging in import and export business of various commodities and technologies. (For items requiring legal approval, operation can only be commenced upon approval from relevant departments)

(G) Hangjia Liquefied Gas

(i)	Name of the enterprise:	Hangjia Liquefied Gas Company Limited* (杭嘉液化天然氣有限公司)
(ii)	Economic nature:	Limited liability company
(iii)	Registered owners:	Hangjiaxin (70%), Ms. Yao Xiaoying (姚曉英) (21%) and Jiaxing Yunheng Information Technology Company Limited* (嘉興市運恒信息技術有限公司) (9%)
(iv)	Registered capital:	RMB30,000,000 (as at the Latest Practicable Date, RMB6,000,000 had been paid up and the remaining shall be paid up by Hangjiaxin, Ms. Yao Xiaoying (姚曉英) and Jiaxing Yunheng Information Technology Company Limited* (嘉興市運恒信息技術有限公司) according to their respective interests)
(v)	Attributable interest to our Group:	35.7%
(vi)	Term of operation:	27 December 2019 to long-term
(vii)	Scope of business:	Natural gas (including liquefied natural gas LNG) related technology development, technical services and consulting; import and export of goods, technology import and export, agent import and export; import and export of liquefied natural gas (LNG) and related equipment and technology and labor services, conference services. (For items requiring legal approval, operation can only be commenced upon approval from relevant departments)

6. Registration under Part 16 of the Companies Ordinance

Our Company has established a place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company has been registered as non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Sun Ah Tsang and Ms. Ho Siu Pik, an executive director of the corporate services division of Tricor Services Limited, have been appointed as agents of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

7. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement dated 21 August 2019 entered into between our Company, Hangzhou Gas, Jiaxing Yunheng Information Technology Company Limited* (嘉興市運恒信息技術有限公司) ("**Yunheng**") and Hangjiaxin for the transfer by Yunheng of its 16% equity interest in Hangjiaxin to Hangzhou Gas at cash consideration of RMB 24,361,733.31;

(b) the articles of association of Hangjiaxin dated July 2019 adopted by our Company and Hangzhou Gas governing their joint investment in, and management of, Hangjiaxin;

(c) the articles of association of Hangjia Liquefied Gas dated 26 December 2019 adopted by Hangjiaxin, Ms. Yao Xiaoying (姚曉英) and Yunheng governing their joint investment in, and management of, Hangjia Liquefied Gas;

(d) the cornerstone investment agreement dated 24 June 2020 entered into between our Company, Fashion Home International Trading Co., Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which Fashion Home International Trading Co., Limited agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 500 H Shares) with the amount of HK$19,000,000 (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price per Share;

(e) the cornerstone investment agreement dated 24 June 2020 entered into between our Company, Hong Sung Timber Trading Co., Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which Hong Sung Timber Trading Co., Limited agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 500 H Shares) with the amount of HK$51,000,000 (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price per Share;

(f) the cornerstone investment agreement dated 24 June 2020 entered into between our Company, Flat (Hong Kong) Co., Limited, the Joint Global Coordinators and the Joint Sponsors, pursuant to which Flat (Hong Kong) Co., Limited agreed to subscribe for 6,250,000 H Shares at the Offer Price per Share (plus brokerage, SFC transaction levy and Stock Exchange trading fee);

(g) the Deed of Indemnity; and

(h) the Hong Kong Underwriting Agreement.

8. Intellectual property rights of our Group

(a) Patent

As at the Latest Practicable Date, our Group had registered the following patent which we consider to be material to our business:

No.	Patent	Registered owner	Place of registration	Type	Registration number	Duration of validity
1.	用於空溫式氣化器的無動力除霧裝置和大型氣化器陣組 (Unpowered defogging device and large-scale gasifier array for air-temperature gasifier*)	Hangjiaxin	PRC	Utility model	ZL 201921134092.7	18 July 2019 to 17 July 2029

(b) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1.	嘉燃 JIA RAN	Company	The PRC	4 *(Note 1)*	5396288	28 August 2009 to 27 August 2029
2.	嘉燃 JIA RAN	Company	The PRC	39 *(Note 3)*	5396290	7 September 2009 to 6 September 2029
3.	嘉燃 JIA RAN	Company	The PRC	37 *(Note 4)*	5396289	28 October 2009 to 27 October 2029

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
4.		Company	The PRC	4 *(Note 1)*	5396291	28 August 2009 to 27 August 2029
5.		Company	The PRC	37 *(Note 2)*	5396292	21 January 2010 to 20 January 2030
6.		Company	The PRC	39 *(Note 3)*	5396332	21 May 2010 to 20 May 2030
7.		Company	Hong Kong	4 *(Note 1)*, 37 *(Note 2)* and 39 *(Note 3)*	304932054	21 May 2019 to 20 May 2029

Notes:

1. The specific goods and/or services under class 4 in respect of which the trademark was registered are gas fuel, LPG, fuel oil, charcoal (fuel), industrial wax, candle, lanolin and petroleum (crude oil or refined oil).

2. The specific goods and/or services under class 37 in respect of which the trademark was registered are pipe laying and repair, vehicle maintenance, installation and repair of elevators and installation and maintenance of kitchen equipment.

3. The specific goods and/or services under class 39 in respect of which the trademark was registered are transportation, vessel transportation, automobile transportation, gas station, liquefied gas station, pipeline transportation and cargo storage.

4. The specific goods and/or services under class 37 in respect of which the trademark was registered are pipe laying and maintenance, building construction supervision, installation and maintenance of heating equipment, vehicle maintenance, installation and repair of elevators and installation and maintenance of kitchen equipment.

(c) Domain names

As at the Latest Practicable Date, our Group had registered the following domain name:

No.	Domain name	Registered owner	Registration date	Expiry date
1.	http://www.jiaxinggas.com	Company	19 March 2020	4 February 2021
2.	http://www.jxrqgs.com	Company	19 March 2020	28 February 2021
3.	http://www.hjxlng.com	Hangjiaxin	29 July 2019	14 March 2021
4.	http://www.phlng.com	Hangjiaxin	29 July 2019	14 March 2021
5.	http://www.jxglng.com	Hangjiaxin	29 July 2019	14 March 2021

(d) Software copyrights

As at the Latest Practicable Date, our Group had the following software copyrights:

No.	Software name	Owner
1.	Jiaxing Gas Pipeline Network GIS System	Company
2.	Jiaxing Gas Group Operating Charge System	Company
3.	Jiaxing Gas Group Co., Ltd. website, WeChat online business hall	Company
4.	Pipeline gas business mobile private cloud platform	Company
5.	Pipeline operation and maintenance integrated dispatching platform	Company
6.	Pipe network operation and maintenance management system	Company
7.	Safety production management system	Company

9. Connected transactions and related party transactions

Save as disclosed in the section headed "Continuing Connected Transactions" in this prospectus and Note 37 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

10. Directors

(a) Disclosure of interests of Directors and Supervisors

Save as disclosed in the section headed "History and Corporate Structure – Establishment and Major Shareholding Changes Concerning Our Company and the Major Operating Subsidiary of Our Company" of this prospectus, none of our Directors and Supervisors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' and Supervisors' service contracts

Directors

Our Company entered into a service contract with each of our Directors on 23 September 2019 and 10 January 2020. Each of the service contracts is for a fixed term ending on 10 January 2023, unless terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein, and provisions on removal and retirement by rotation of our Directors as set forth in the Articles of Association.

Supervisors

Our Company entered into a service contract with each of our Supervisors on 23 September 2019 and 10 January 2020. Each of the service contracts is for a fixed term ending on 10 January 2023, and is subject to termination provisions therein, and provisions on removal and retirement by rotation as set forth in the Articles of Association.

Pursuant to the respective service contracts, our executive Directors, non-executive Directors and Supervisors are not entitled to any service fee, while each of Mr. Xu Linde, Mr. Yu Youda and Mr. Cheng Hok Kai Frederick, our independent non-executive Directors, is entitled to an annual service fee of RMB100,000, RMB100,000 and HK$180,000, respectively, with effect from the Listing Date.

As at the Latest Practicable Date, each of Mr. Sun, Mr. Xu Songqiang, our executive Directors, and Ms. Xu Shuping, one of our Supervisors, has also entered into an existing employment contract with the Company and is entitled to salary, allowance and benefits in kind, performance-related bonuses and pension scheme contributions. Each of Mr. Xu Linde and Mr. Yu Youda, our independent non-executive Directors, has entered into an existing service contract with the Company and is entitled to an annual service fee of RMB60,000 until the day prior to the Listing Date.

Save for the aforesaid, none of the non-executive Director, independent non-executive Directors or Supervisors is expected to receive any other remuneration for holding their office as a non-executive Director, independent non-executive Director and Supervisor, respectively.

Save as disclosed aforesaid, none of our Directors or Supervisors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by our Company within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors and Supervisors

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors and Supervisors in respect of FY2017, FY2018 and FY2019 were approximately RMB1.1 million, RMB1.4 million and RMB1.5 million respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) and Supervisors for the year ending 31 December 2020, are expected to be approximately RMB0.8 million and RMB0.1 million, respectively.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of FY2017, FY2018 and FY2019 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of FY2017, FY2018 and FY2019.

(d) Interests and short positions of our Directors and Supervisors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

			As at the date of this submission			Immediately following completion of the Global Offering	
Name	**Class of Shares held after the Global Offering**	**Capacity/Nature of interest**	**Number of Shares held**	**Deemed interest pursuant to the SFO**	**Approximate percentage of shareholding in our Company**	**Approximate percentage of shareholding in the relevant class** *(Note 2)*	**Approximate percentage of shareholding in the total share capital of our Company** *(Note 3)*
Mr. Sun *(Note 1)*	Domestic Shares	Interest in a controlled corporation	N/A	31,720,806	31.72%	31.72%	23.79%
Mr. Xu Songqiang (徐松強) *(Note 1)*	Domestic Shares	A party to concert party agreement, beneficial owner	3,069,891	28,650,915	31.72%	31.72%	23.79%

Notes:

(1) Taiding, Xu Songqiang, Liu Zhenxiong, Xu Yanrui and Xu Hua are parties acting in concert pursuant to acting in concert agreements dated 23 March 2016, 16 March 2017, 3 January 2018 and 18 July 2019. Under the SFO, each member of the Concert Parties is deemed to be interested in the Shares beneficially owned by the other members of the Concert Parties. Mr. Sun is interested in 65% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.

(2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised at all.

(3) The calculation is based on the total number of 133,340,000 Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised at all.

11. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following completion of the Global Offering (but without taking into account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), other than a Director, Supervisor or chief executive of our Company whose interests are disclosed under the sub-paragraph headed "10. (d) Interests and short positions of our Directors and Supervisors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering" above, the following persons will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the Shares:

			As at the Latest Practicable Date			Immediately following completion of the Global Offering	
Name	**Class of Shares held after the Global Offering**	**Capacity/Nature of interest**	**Number of Shares held**	**Deemed interest pursuant to the SFO**	**Approximate percentage of shareholding in our Company**	**Approximate percentage of shareholding in the relevant class** *(Note 1)*	**Approximate percentage of shareholding in the total share capital of our Company** *(Note 2)*
City Development *(Note 3)*	Domestic Shares	Beneficial owner	32,757,502	N/A	32.76%	32.76%	24.57%
Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) *(Note 3)*	Domestic Shares	Interest in a controlled corporation	N/A	32,757,502	32.76%	32.76%	24.57%
Jiaxing State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) *(Note 3)*	Domestic Shares	Interest in a controlled corporation	N/A	32,757,502	32.76%	32.76%	24.57%
Taiding *(Note 4)*	Domestic Shares	A party to concert party agreement, beneficial owner	26,424,222	5,296,584	31.72%	31.72%	23.79%

Name	Class of Shares held after the Global Offering	Capacity/Nature of interest	As at the Latest Practicable Date			Immediately following completion of the Global Offering	
			Number of Shares held	Deemed interest pursuant to the SFO	Approximate percentage of shareholding in our Company	Approximate percentage of shareholding in the relevant class *(Note 1)*	Approximate percentage of shareholding in the total share capital of our Company *(Note 2)*
Xu Lili (徐麗麗) *(Note 5)*	Domestic Shares	Interest in a controlled corporation	N/A	31,720,806	31.72%	31.72%	23.79%
Chen Ying (陳瑛) *(Note 6)*	Domestic Shares	Interest of spouse	N/A	31,720,806	31.72%	31.72%	23.79%
Liu Zhenxiong (劉振雄) (*Note 4*)	Domestic Shares	A party to concert party agreement, beneficial owner	1,654,195	30,066,611	31.72%	31.72%	23.79%
Xu Yanrui (許延瑞) (*Note 4*)	Domestic Shares	A party to concert party agreement, beneficial owner	386,299	31,334,507	31.72%	31.72%	23.79%
Luo Yining (羅漣寧) *(Note 7)*	Domestic Shares	Interest of spouse	N/A	31,720,806	31.72%	31.72%	23.79%
Xu Hua (徐華) (*Note 4*)	Domestic Shares	A party to concert party agreement, beneficial owner	186,199	31,534,607	31.72%	31.72%	23.79%
Zhuji Yujia *(Note 8)*	Domestic Shares	Beneficial owner	11,894,374	N/A	11.89%	11.89%	8.92%
Qianyu *(Note 8)*	Domestic Shares	Interest in a controlled corporation	N/A	11,894,374	11.89%	11.89%	8.92%
Mr. Tang Shiyao (湯仕堯) *(Note 8)*	Domestic Shares	Interest in a controlled corporation	N/A	11,894,374	11.89%	11.89%	8.92%
Ms. Fu Fangying (傅芳英) *(Note 9)*	Domestic Shares	Interest of spouse	N/A	11,894,374	11.89%	11.89%	8.92%
Xin'ao	Domestic Shares	Beneficial owner	7,155,049	N/A	7.16%	7.16%	5.37%

Notes:

(1) The calculation is based on the total number of 100,000,000 Domestic Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised at all.

(2) The calculation is based on the total number of 133,340,000 Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised at all.

(3) City development is wholly-owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司), which is wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會). Under the SFO, Zhejiang Jiaxing State-owned Capital Investment Management Company Limited and Jiaxing State-owned Assets Supervision and Administration Commission are deemed to be interested in the same number of Shares in which City Development is interested.

(4) Taiding, Xu Songqiang, Liu Zhenxiong, Xu Yanrui and Xu Hua are parties acting in concert pursuant to acting in concert agreements dated 23 March 2016, 16 March 2017, 3 January 2018 and 18 July 2019. Under the SFO, each member of the Concert Parties is deemed to be interested in the Shares beneficially owned by the other members of the Concert Parties.

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

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

(7) Mr. Luo Yining is the spouse of Ms. Xu Yanrui. Under the SFO, Mr. Luo Yining is deemed to be interested in the same number of Shares in which Ms. Xu Yanrui is interested.

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

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

12. Disclaimers

Save as disclosed in paragraph 10 and 11 above in this section:

(a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option, our Directors are not aware of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of us;

(b) none of our Directors or Supervisors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in paragraph 19 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the H Shares either in his/her own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in paragraph 19 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and

(e) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 19 below:

  (i) is interested legally or beneficially in any securities of any member of us; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

13. Estate duty, tax and other indemnities

The members of the Concert Parties and Mr. Sun (together, the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favor of our Company (for itself and on behalf of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation, and whether or not such tax liabilities shall be paid or payable before or after the Listing Date.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2019;

(b) to the extent that such taxation liability is incurred in the ordinary course of business of any member of our Group after 31 December 2019 or relates thereto;

(c) to the extent that such taxation liability is incurred in any transaction which any member of our Group engages in after the Listing Date or relates thereto;

(d) to the extent that such taxation liability is incurred as a consequence of or in connection with any legally binding agreement or commitment entered into or created by any member of our Group on or before 31 December 2019;

(e) to the extent that such taxation liability is incurred solely because of or in connection with any act or omission by any member of our Group after the Listing Date; or

(f) to the extent that such taxation liability is incurred solely as a consequence of any retrospective amendment or change in the applicable laws, rules or regulations or the interpretations thereof by any relevant taxation authority coming into force after the Listing Date or as a consequence of any increase in the applicable taxation rates after the Listing Date with retrospective effect.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken to us that he/she will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the the non-compliance incidents of the relevant PRC laws and regulations by any member of our Group in the PRC described in the paragraph headed "Business – Legal compliance – Legal and compliance matters" in this prospectus provided that the Indemnifiers shall be under no liability under the Deed of Indemnity:

(a) in respect of any claim in relation to our Group's failure to undertake social insurance and housing provident fund registration and to make full contributions to the social insurance and housing provident funds as referred to the said paragraph (the "**Social Insurance Claims**"), to the extent that provision or reserve has been made for Social Insurance Claims in the audited accounts of any member of our Group for any accounting period up to 31 December 2019; or

(b) in respect of any such Social Insurance Claims, to the extent that any provision or reserve made for such Social Insurance Claims in the audited accounts of any member of our Group for any accounting period up to 31 December 2019 which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such Social Insurance Claims shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve so applied to reduce the Indemnifiers' liability in respect of such Social Insurance Claims shall not be available in respect of any such liability arising thereafter.

14. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition of our Group.

15. Preliminary expenses

We have not incurred any material preliminary expenses.

16. Promoter

The promoters of our Company (the "**Promoters**") are City Development, Taiding, Qianyu, Xin'ao, Fengye, Xu Songqiang (徐松強), Liu Zhenxiong (劉振雄), Shen Gensheng (沈根生), Wang Jingren (王經仁), Shen Guiqi (沈桂奇), Yin Peirong (殷培榮), Xu Yanrui (許延瑞), Wang Haibin (王海斌), Dong Xiaohong (董小紅), Lv Liushun (呂六順), Gu Jianli (顧建麗), Xu Jianliang (徐建良), Zhang Xiafen (張霞芬), Zhou Jvxiang (周菊香), Guo Li (郭莉), Wang Wenqin (王文琴), Chen Lianguan (陳連觀), Jiang Longgen (姜龍根), Zhu Xiaofang (祝小芳), Xu Hua (徐華), Tan Chengrui (譚成睿), Wang Yueming (王月明), Lv Jia (呂佳), Ma Ping (馬萍), Lu Jun (陸軍), Yang Kaiyuan (楊凱元), Zhang Xueying (張雪英), Yin Haiming (殷海明), Zhang Jvxian (張菊仙) and Chen Lingling (陳玲玲).

Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering.

17. Agency fees or commissions received

Pursuant to the terms and conditions of the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive a commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to BOCOM International Securities and the relevant Underwriters (but not the Hong Kong Underwriters). We may, at our discretion, pay to BOCOM International Securities an additional incentive fee of up to approximately HK$3.3 million, being 1.0% of the aggregate Offer Price of the Offer Shares from the Global Offering, including proceeds from the exercise of the Over-allotment Option.

The aggregate commissions and fees payable by us in relation to the Global Offering together with the Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, assuming an Offer Price of HK$10.50 (being the mid-point of Offer Price range between HK$9.00 per H Share and HK$12.00 per H Share), are estimated to amount to approximately HK$43.5 million in total (assuming that the Over-allotment Option is not exercised).

18. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus and any H Shares which may be issued upon the exercise of the Over-allotment Option on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Save as disclosed in the paragraph headed "Underwriting – Underwriting arrangements and expenses – The Joint Sponsors' independence" in this prospectus, LY Capital is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The Joint Sponsors' fees are estimated to amount to HK$5.2 million.

19. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
BOCOM International (Asia)	Licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
LY Capital	Licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Chiu & Partners	Qualified Hong Kong lawyers
Jia Yuan Law Offices	Qualified PRC lawyers
Ernst & Young	Certified Public Accountants
Frost & Sullivan	Industry consultant
Cushman & Wakefield Limited	Independent property valuer

20. Consents of experts

Each of BOCOM International (Asia), LY Capital, Chiu & Partners, Jia Yuan Law Offices, Ernst & Young, Frost & Sullivan and Cushman & Wakefield Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interests in the Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of our subsidiaries.

21. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

22. Taxation of holders of H Shares

Dealings in H Shares registered on our Company's H Shares register of members will be subject to Hong Kong stamp duty. Intending holders of H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in H Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in H Shares.

Profits from dealings in H Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the H Shares being sold or transferred. Information in relation to taxation is set out in Appendix III to this prospectus.

23. Miscellaneous

(a) Save as disclosed in the sections headed "Share capital" and "Structure and conditions of the Global Offering" in this prospectus:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission (except commission to the Underwriters) has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) there are no arrangements under which future dividends are waived or agreed to be waived;

(iv) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(v) our Company has no outstanding convertible debt securities or debentures;

(vi) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(vii) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures;

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up); and

(c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

24. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "Other Information – 20. Consents of experts" in Appendix VII to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "Further Information about the Business of our Company – 7. Summary of material contracts" in Appendix VII to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:30 p.m. (excluding Saturdays and public holidays) up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the consolidated audited financial statements of our Group for each of FY2017, FY2018 and FY2019;

(d) the report prepared by Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation;

(f) the legal opinions prepared by our PRC legal advisers, Jia Yuan Law Offices, in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(g) the legal opinion prepared by Chiu & Partners in respect of certain aspects of Hong Kong laws;

(h) the material contracts referred to in the paragraph headed "Further Information about the Business of our Company – 7. Summary of material contracts" in Appendix VII to this prospectus;

(i) the service contracts referred to in the paragraph headed "Further Information about our Directors and Supervisors – 10. Directors – (b) Particulars of Directors' and Supervisors' service contracts" in Appendix VII to this prospectus;

(j) the written consents referred to in the paragraph headed "Other Information – 20. Consents of experts" in Appendix VII to this prospectus;

(k) the industry report prepared by Frost & Sullivan, the extracts of which is set out in the section headed "Industry Overview" in this prospectus; and

(l) the letter, summary of valuations and valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix IV to this prospectus.

嘉興市燃氣集團股份有限公司
JIAXING GAS GROUP CO., LTD.*