

THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Offers, this Offer Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in AAG Energy Holdings Limited, you should at once hand this Offer Document and the Acceptance Forms to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

This Offer Document should be read in conjunction with the Acceptance Forms, the contents of which form part of the terms and conditions of the Offers.

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 Offer Document and the Acceptance Forms, make no representation as to their 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 Offer Document and the Acceptance Forms.

LIMING HOLDING LIMITED

(Incorporated in Hong Kong with limited liability)

**OFFER DOCUMENT RELATING TO
VOLUNTARY PARTIAL CASH OFFER BY
CITIGROUP GLOBAL MARKETS ASIA LIMITED
ON BEHALF OF LIMING HOLDING LIMITED
TO ACQUIRE A MAXIMUM OF 50.5% OF THE ISSUED SHARE CAPITAL
OF AAG ENERGY HOLDINGS LIMITED
AND TO CANCEL A MAXIMUM OF 50.5% OF ITS OUTSTANDING
OPTIONS AND RSUS**

Financial adviser to Liming Holding Limited

Citigroup Global Markets Asia Limited



Independent Financial Adviser to Liming Holding Limited



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Offer Document.

A letter from Citi containing, among other things, details of the terms of the Offers is set out on pages 11 to 20 of this Offer Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Offer Document and in the Acceptance Forms. Acceptance of the Partial Offer, the Option Offer and the RSU Offer should be received by the Receiving Agent as soon as possible and in any event no later than 4:00 p.m. on Thursday, 2 August 2018 (being the First Closing Date) or such later time and/or the date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Offer Document and/or the Acceptance Forms to any jurisdiction outside Hong Kong should read the details in this regard as contained in the section headed "Important Notice" in this Offer Document before taking any action. It is the sole responsibility of each Overseas Shareholder, Overseas Option Holder and Overseas RSU Holder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders are advised to seek professional advice on deciding whether to accept the Offers.

5 July 2018

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

All references to times and dates contained in this Offer Document are to Hong Kong times and dates.

	2018
Despatch date of this Offer Document and the Acceptance Forms (<i>Note 1</i>).....	Thursday, 5 July
Offers open for acceptance (<i>Note 1</i>).....	Thursday, 5 July
Latest time for WP China and Baring to accept the Partial Offer under the Irrevocable Undertakings	Monday 16 July
Latest time for posting of the Offeree Document (<i>Note 2</i>).....	Thursday 19 July
Latest time and date for acceptance of the Offers on First Closing Date (<i>Note 3</i>).....	by 4:00 p.m. on Thursday, 2 August
Announcement of the results of the Offers as at the First Closing Date to be posted on the website of the Stock Exchange.....	by 7:00 p.m. on Thursday, 2 August
Latest time and date for acceptance of the Offers assuming the Offers become or are declared unconditional on the First Closing Date (i.e. the Final Closing Date) (<i>Note 4</i>).....	by 4:00 p.m. on Thursday, 16 August
Announcement of the results of the Offers as at the Final Closing Date to be posted on the website of the Stock Exchange (<i>Note 5</i>)	by 7:00 p.m. on Thursday, 16 August
Latest date for posting of remittance for the amount due in respect of valid acceptances received under the Offers on or before 4:00 p.m. on the Final Closing Date (<i>Note 6</i>).....	Monday, 27 August
Latest time by which the Offers can be declared unconditional as to acceptances (<i>Note 7</i>).....	Monday, 3 September

Notes:

1. The Offers are made on Thursday, 5 July 2018, being the date of posting of this Offer Document, and are capable of acceptance on and from that date until the close of the Offer Period, i.e. the later of the Final Closing Date on Thursday, 16 August 2018 or the date falling 14 days after the Offers become or are declared unconditional in all respects, or if the Offers are extended, any subsequent Closing Date as extended and announced by the Offeror in accordance with the Takeovers Code.
2. In accordance with the Takeovers Code, the Company is required to post the Offeree Document to the Shareholders within 14 days from the posting of this Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the Closing Date by the number of days in respect of which the delay in the posting of the Offeree Document is agreed.
3. In accordance with the Takeovers Code, where the Offeree Document is posted after the date on which the Offer Document is posted, the Offers must remain open for acceptance for at least 28 days following the date on which this Offer Document is posted. The Offeror reserves its right, as permitted under the Takeovers Code, to revise or extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any revision or extension of the Offers, which will state the next Closing Date.

EXPECTED TIMETABLE

4. The Offeror has the right, subject to the Takeovers Code, to extend the Offers until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code. Pursuant to Rule 28.4 of the Takeovers Code: (a) if on a Closing Date acceptances exceed the specified number, subject to the application of Rule 28.5 of the Takeovers Code, the Offeror must declare the Partial Offer unconditional as to acceptances and comply with Rule 15.3 of the Takeovers Code by extending the Final Closing Date to the 14th day thereafter and the Offeror cannot further extend the Final Closing Date; (b) if the acceptance condition has been fulfilled, the Offeror may declare the Partial Offer unconditional as to acceptances prior to the First Closing Date provided that it fully complies with Rule 15.3 of the Takeovers Code; and (c) if the Partial Offer has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date. Pursuant to Rule 15.3 of the Takeovers Code: (a) where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter; and (b) when an offer becomes or is declared unconditional in all respects, at least 14 days' notice in writing must be given before the offer is closed to those shareholders who have not accepted the offer. The Offeror will make an announcement both when the Partial Offer becomes unconditional as to acceptances and when it becomes unconditional in all respects.
5. The announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, among other things, the results of the Partial Offer, the Option Offer and the RSU Offer, as well as details of the way in which the pro rata entitlement for each accepting Shareholder, Option Holder and RSU Holder was determined.
6. Subject to the Offers becoming unconditional, remittances in respect of the consideration payable for (i) the Offer Shares tendered under the Partial Offer, (ii) the Options under the Option Offer, and (iii) the RSUs under the RSU Offer will be posted by ordinary post to (i) the Shareholders, (ii) the Option Holders, and (iii) RSU Holders accepting (i) the Partial Offer, (ii) the Option Offer, and (iii) the RSU Offer, respectively, at their own risk as soon as possible, but in any event within seven Business Days following the Final Closing Date.
7. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Offer Document was posted. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on Monday, 3 September 2018, unless extended with the consent of the Executive. The "60th day" mentioned above may be extended by the Executive under Note 2 to Rule 15.5 of the Takeovers Code for the purposes of any auction procedure established by the Executive in the context of a competitive offer in accordance with Rule 16.5 of the Takeovers Code.

IMPORTANT NOTICE

NOTICE TO THE OVERSEAS SHAREHOLDERS, OVERSEAS OPTION HOLDERS AND OVERSEAS RSU HOLDERS

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. Acceptance by any Shareholders, Option Holders and RSU Holders will be deemed to constitute a representation and warranty from such Shareholders, Option Holders and RSU Holders to the Offeror that the local laws and requirements have been complied with. The Shareholders, Option Holders and RSU Holders should consult their professional advisers if in doubt. Please refer to the section headed “Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders” in the letter from Citi contained in this Offer Document and the section headed “Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders in “Appendix I — Further terms of the Offers” to this Offer Document.

NOTICE TO U.S. SHAREHOLDERS

The Partial Offer is being made for the securities of a company incorporated in the Cayman Islands and registered in Hong Kong as a non-Hong Kong company whose shares are listed on the Main Board of the Stock Exchange, and is therefore subject to Hong Kong disclosure requirements which are different from those of the United States. This Offer Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States. The Partial Offer is being made in the United States in reliance on the exemption from certain requirements of Regulation 14E of the United States Securities Exchange Act of 1934 provided by Rule 14d-1(c) thereunder and otherwise in accordance with the requirements of the SFO.

Accordingly, the Partial Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under United States domestic tender offer procedures and laws. The receipt of cash pursuant to the Partial Offer by a United States holder of Shares may be a taxable transaction for United States federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each United States holder of Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Partial Offer.

The financial information of Xinjiang Xintai included in this Offer Document has been extracted from the audited consolidated financial information of Xinjiang Xintai for the three years ended 31 December 2017, which have been prepared in accordance with generally accepted accounting principles in the PRC, and the unaudited consolidated financial information of Xinjiang Xintai for the three months ended 31 March 2018. Such financial information may not be comparable to financial information of United States companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States. It may be difficult for United States holders of Shares to enforce their rights and claims arising out of the United States federal securities laws, as the Offeror, the Company and Citi are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of the Offeror, the Company and Citi are located outside the United States. United States holders of Shares may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of the United States securities laws. Further, it may be difficult for United States holders of Shares to effect service of

IMPORTANT NOTICE

process within the United States upon the Offeror, the Company or Citi or their respective officers or directors, to enforce against them a judgment of a United States court or to compel them or their affiliates to subject themselves to a United States court judgment.

In accordance with the Takeovers Code, Citi and some of its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that any such purchase or arrangement complies with applicable law and is made outside the United States. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at <http://www.sfc.hk>.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offer Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror assumes no obligation and does not intend to update these forward-looking statements, except as required pursuant to applicable laws.

DEFINITIONS

In this Offer Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings.

“Acceptance Forms”	collectively, the Partial Offer Approval and Acceptance Form, the Option Offer Acceptance Form and the RSU Offer Acceptance Form
“acting in concert”	has the meaning given to it under the Takeovers Code
“Announcement”	the announcement dated 14 May 2018 issued by the Offeror in respect of the Offers
“associate(s)”	has the meaning given to it under the Takeovers Code
“Baring”	Baring Private Equity Asia IV Holding (4) Limited, a company incorporated in the British Virgin Islands with limited liability, and a substantial shareholder of the Company as at the Latest Practicable Date
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Citi”	Citigroup Global Markets Asia Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities, being the financial adviser to the Offeror
“Closing Date”	the First Closing Date of the Partial Offer or any subsequent closing date of the Partial Offer as may be extended or revised in accordance with the Takeovers Code
“Company”	AAG Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2686)
“concert parties”	with respect to a person, parties acting in concert or presumed to acting in concert with that person for the purposes of the Takeovers Code
“Conditions”	the conditions to the Partial Offer as set out in the section entitled “The Offers – Conditions” in the “Letter from Citi” in this Offer Document
“Despatch Date”	the date of despatch of this Offer Document to the Shareholders as

DEFINITIONS

	required by the Takeovers Code
“Director”	a director of the Company for the time being, and “Directors” shall be construed accordingly
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Final Closing Date”	the date which is the 14th day after (i) the date on which the Partial Offer is declared unconditional as to acceptances or (ii) the First Closing Date, whichever is the later, provided that the Partial Offer will be open for acceptance for at least 28 days following the Despatch Date
“First Closing Date”	the date stated in this Offer Document as the first closing day of the Partial Offer, or such later date as may be extended by the Offeror in accordance with the Takeovers Code
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertakings”	the irrevocable undertakings given by each of WP China and Baring to the Offeror as described in the section entitled “Irrevocable Undertakings” in the “Letter from Citi” in this Offer Document
“Last Trading Day”	14 May 2018, being the last trading day for the Shares immediately before the publication of the Announcement
“Latest Practicable Date”	29 June 2018, being the latest practicable date prior to the printing of this Offer Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Offer Document”	this document issued by the Offeror in relation to the Offers
“Offer Period”	the period commencing on the date of publication of the Rule 3.7 Announcements up to and including the Closing Date
“Offer Shares”	the Shares subject to the Partial Offer, being a maximum of 1,692,295,936 Shares (representing approximately 50.5% of the Shares in issue as at the date of the Announcement) or such higher number of Shares representing 50.5% of the Shares in issue as at

DEFINITIONS

the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date), and “Offer Share” shall be construed accordingly

“Offeree Document”	the response document in respect of the Offers to be issued by the Company to the Shareholders in accordance with the Takeovers Code
“Offeror”	Liming Holding Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly owned by Xinjiang Xintai
“Offers”	collectively, the Partial Offer, the Option Offer and the RSU Offer
“Option”	an outstanding share option (vested or unvested) granted under the Share Option Scheme from time to time, and “Options” shall be construed accordingly
“Option Holder”	a holder of any Options, and “Option Holders” shall be construed accordingly
“Option Offer”	the conditional voluntary partial cash offer to be made by Citi on behalf of the Offeror to Option Holders to cancel a maximum of 100,956,224 Options (representing approximately 50.5% of all the outstanding Options as at the date of the Announcement) or such lower number of Options representing 50.5% of the Options in issue as at the Final Closing Date (excluding for this purpose Options in respect of which a valid notice of exercise has been delivered on or after the date of the Announcement and on or before the Final Closing Date) on the terms and conditions set out in this Offer Document and in compliance with the Takeovers Code
“Option Offer Acceptance Form”	the form of acceptance in respect of the Option Offer accompanying this Offer Document
“Option Offer Price”	HK\$0.5647 for each Option payable by the Offeror to the Option Holders accepting the Option Offer
“Overseas Option Holder”	an Option Holder whose address as shown on the register of Option Holders of the Company is outside Hong Kong, and “Overseas Option Holders” shall be construed accordingly
“Overseas RSU Holder”	a RSU Holder whose address as shown on the register of RSU Holders of the Company is outside Hong Kong, and “Overseas RSU Holders” shall be construed accordingly
“Overseas Shareholder”	a Shareholder whose address as shown on the register of members

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of the Company is outside Hong Kong, and “Overseas Shareholders” shall be construed accordingly

“Partial Offer”

the conditional voluntary partial cash offer made by Citi on behalf of the Offeror to Shareholders to acquire a maximum of 1,692,295,936 Shares (representing approximately 50.5% of the Shares in issue as at the date of the Announcement) or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date) on the terms and conditions set out in this Offer Document and in compliance with the Takeovers Code

“Partial Offer Approval and Acceptance Form”

the form of approval, acceptance and transfer in respect of the Partial Offer accompanying this Offer Document

“PRC”

the People’s Republic of China which, for the purpose of this Offer Document, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan

“Pre-Conditions”

the pre-conditions to the making of the Offers as set out in the section entitled “Pre-Conditions” in the Announcement

“Receiving Agent”

Tricor Investor Services Limited, being the receiving and paying agent in relation to the Offers, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong

“Registrar”

Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar of the Company

“Relevant Period”

the period commencing on the date falling six months preceding 9 April 2018, being the date of commencement of the Offer Period, up to and including the Latest Practicable Date

“relevant securities”

has the meaning given to it under Note 4 to Rule 22 of the Takeovers Code

“rights over shares”

has the meaning given to it under the Takeovers Code

“RSU”

a restricted share unit (vested or unvested) granted under the RSU Scheme from time to time, and “RSUs” shall be construed accordingly

“RSU Holder”

a holder of any RSUs, and “RSU Holders” shall be construed accordingly

DEFINITIONS

“RSU Offer”	the conditional voluntary partial cash offer to be made by Citi on behalf of the Offeror to RSU Holders to cancel a maximum of 20,444,228 RSUs (representing approximately 50.5% of all the outstanding RSUs as at the date of the Announcement) or such lower number of RSUs representing 50.5% of the RSUs in issue as at the Final Closing Date (excluding for this purpose RSUs which have vested and in respect of which RSU Shares have been transferred or issued (as the case may be) to the relevant RSU Holders on or after the date of the Announcement and on or before the Final Closing Date) on the terms and conditions set out in this Offer Document and in compliance with the Takeovers Code
“RSU Offer Acceptance Form”	the form of acceptance in respect of the RSU Offer accompanying this Offer Document
“RSU Offer Price”	HK\$1.75 for each RSU payable by the Offeror to the RSU Holders accepting the RSU Offer
“RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on 5 June 2015 which became effective on 23 June 2015
“RSU Shares”	the Shares to be transferred or issued (as the case may be) to RSU Holders upon vesting of the RSUs held by the RSU Holders in accordance with the RSU Scheme
“Rule 3.7 Announcements”	the announcements dated 9 April 2018 published by each of the Company and the Offeror pursuant to Rule 3.7 of the Takeovers Code
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share”	an ordinary share of par value US\$0.0001 in the share capital of the Company, and “Shares” shall be construed accordingly
“Share Offer Price”	HK\$1.75 for each Offer Share payable by the Offeror to the Shareholders accepting the Partial Offer
“Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 31 March 2015
“Shareholder”	a holder of any Shares, and “Shareholders” shall be construed accordingly
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it under the Listing Rules

DEFINITIONS

“substantial shareholder”	has the meaning given to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“WP China”	WP China CBM Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and a substantial shareholder of the Company as at the Latest Practicable Date
“Xinjiang Xintai”	Xinjiang Xintai Natural Gas Co., Ltd., a company incorporated in the People’s Republic of China and listed on the Shanghai Stock Exchange (stock code: 603393), which indirectly wholly owns the Offeror
“%”	per cent

**In the event of inconsistency, the English text of this Offer Document shall prevail over the Chinese text.*

LETTER FROM CITI



5 July 2018

To Shareholders, Option Holders and RSU Holders

Dear Sir or Madam,

**VOLUNTARY PARTIAL CASH OFFER BY
CITIGROUP GLOBAL MARKETS ASIA LIMITED
ON BEHALF OF LIMING HOLDING LIMITED
TO ACQUIRE A MAXIMUM OF 50.5% OF THE ISSUED SHARE CAPITAL OF
AAG ENERGY HOLDINGS LIMITED
AND TO CANCEL A MAXIMUM OF 50.5% OF ITS OUTSTANDING OPTIONS AND RSUS**

1. INTRODUCTION

On 14 May 2018, the Offeror announced that Citi, on behalf of the Offeror, would make a voluntary partial cash offer to acquire a maximum of 50.5% of the issued share capital of the Company and to cancel or acquire (as applicable) a maximum of 50.5% of its outstanding Options and RSUs.

The making of the Offers was subject to the satisfaction of the Pre-Conditions, being (i) consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code; and (ii) approval by the shareholders of Xinjiang Xintai, in accordance with the articles of association of Xinjiang Xintai, of (a) the Offers and (b) the proposed change in the use of proceeds from Xinjiang Xintai's initial public offering to finance part of the Offers (each approval being conditional upon the other) (the "**Xinjiang Xintai Shareholder Approval Condition**"). On 30 May 2018, the Offeror announced that the Xinjiang Xintai Shareholder Approval Condition had been satisfied, and on 28 June 2018, the Offeror announced that both the Pre-Conditions had been satisfied.

Citi, on behalf of the Offeror, is making a pre-conditional voluntary partial cash offer to Shareholders to:

- (i) acquire a maximum of 1,692,295,936 Offer Shares (representing approximately 50.5% of the Shares in issue as at the date of the Announcement) or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date) at the Share Offer Price of HK\$1.75 per Share;
- (ii) pursuant to Rule 13.1 of the Takeovers Code, extend an appropriate offer to cancel a maximum of 100,956,224 Options (representing approximately 50.5% of all the outstanding Options as at the date of the Announcement) or such lower number of Options representing 50.5% of the Options in issue as at the Final Closing Date (excluding for this purpose Options in respect of

LETTER FROM CITI

which a valid notice of exercise has been delivered on or after the date of the Announcement and on or before the Final Closing Date); and

- (iii) pursuant to Rule 13.1 of the Takeovers Code, extend an appropriate offer to cancel a maximum of 20,444,228 RSUs (representing approximately 50.5% of the outstanding RSUs as at the date of the Announcement) or such lower number of RSUs representing 50.5% of the RSUs in issue as at the Final Closing Date (excluding for this purpose RSUs which have vested and in respect of which RSU Shares have been transferred or issued (as the case may be) to the relevant RSU Holders on or after the date of the Announcement and on or before the Final Closing Date).

This letter forms part of the Offer Document and sets out, among other things, the principal terms of the Offers, information about Xinjiang Xintai and the Offeror, the reasons for making the Offers and the intentions of the Offerors in respect of the Group and its employees. Further details of the Offers are set out in Appendix I to the Offer Document and in the Acceptance Forms.

2. THE OFFERS

Principal terms of the Offers

The Offers are being made by Citi on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$1.75 in cash

For cancellation of each Option HK\$0.5647 in cash

For each RSU HK\$1.75 in cash

The Option Offer Price represents the difference between the Share Offer Price and the exercise price of the Options, such exercise price being US\$0.151 per Share (equivalent to approximately HK\$1.1853 per Share).

The RSU Offer Price is the “see-through” price of each RSU (which is HK\$1.75, being equal to the Share Offer Price, as there is no exercise price for the RSUs).

Pursuant to the Takeovers Code, the Offeree Document will be issued by the Company with the inclusion of the views of the Board and the independent committee of the Company on the Offers, and the written advice of the independent financial adviser of the Company in relation to whether the Offers are fair and reasonable or not, and the reasons therefor. The Shareholders are advised to read the Offer Document and the Offeree Document before taking any action in respect of the Offers.

Conditions

The Partial Offer is subject to the following Conditions:

- (i) valid acceptances of the Partial Offer having been received (and not, where permitted, withdrawn) in respect of a minimum of 1,675,540,532 Shares (representing approximately 50.0% of Shares in issue as at the date of the Announcement plus one Share) by 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve), provided that the Offeror shall purchase from the Shareholders as many Shares as are tendered by the Shareholders up to a maximum of 1,692,295,936 Shares (representing approximately 50.5% of the Shares in issue as at the date of the Announcement) or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date);

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- (ii) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by registered Shareholders as at the First Closing Date (unless the First Closing Date is extended in accordance with the Takeovers Code) holding over 50% of the Shares not held by the Offeror and parties acting in concert with it, signified by means of a separate box on the Partial Offer Approval and Acceptance Form specifying the number of Shares in respect of which the Partial Offer is approved;
- (iii) no event having occurred which would make any of the Offers or the acquisition of any of the Offer Shares or the cancellation of the Options or RSUs under the Option Offer or RSU Offer, respectively, void, unenforceable or illegal or prohibit implementation of any of the Offers or would impose any additional material conditions or obligations with respect to any of the Offers or any part thereof;
- (iv) no relevant government, governmental, quasi-government, statutory or regulatory body, court or agency in Hong Kong or any other jurisdictions having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make any of the Offers or their implementation in accordance with their respective terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to any of the Offers or their implementation in accordance with their respective terms); and
- (v) since the date of the Announcement, there having been no material adverse change in the business, assets, financial or trading positions or prospects or conditions (whether operational, legal or otherwise) of the Group to an extent which is material in the context of the Group taken as a whole.

The Offeror has the right to waive, in whole or in part, all or any of the Conditions (other than Conditions (i) and (ii)). Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions (other than Conditions (i) and (ii)) so as to cause the Offers to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offers. As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived.

In the event that valid acceptances are received:

- (i) for not less than 1,675,540,532 Offer Shares on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date; or
- (ii) for fewer than 1,675,540,532 Offer Shares by the First Closing Date, the Offers will not proceed and will lapse immediately unless the First Closing Date is extended in accordance with the Takeovers Code.

Each of the Option Offer and the RSU Offer will be subject to and conditional upon the Partial Offer becoming or being declared unconditional in all respects.

Pursuant to Rule 28.4 of the Takeovers Code, if the Partial Offer has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.

WARNING: Shareholders of and potential investors in the Company, Option Holders and RSU Holders should note that the Offers are subject to the satisfaction of the Conditions. Accordingly, the Offers may or may not become unconditional. Completion of the Offers is therefore a possibility only. Shareholders, Option Holders, RSU Holders and potential investors are advised to exercise caution when dealing in the Shares and, if they are in any doubt about their positions, they should consult their professional advisers.

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Comparison of value

The Share Offer Price of HK\$1.75 per Offer Share represents:

- (i) a premium of approximately 15.1% over the closing price of HK\$1.52 per Share as quoted on the Stock Exchange on 3 April 2018, being the last trading day immediately prior to the suspension of trading in Shares and the publication of the Rule 3.7 Announcements;
- (ii) a premium of approximately 26.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including 3 April 2018, being the last trading day immediately prior to the suspension of trading in Shares and the publication of the Rule 3.7 Announcements, of approximately HK\$1.38 per Share;
- (iii) a premium of approximately 28.8% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including 3 April 2018, being the last trading day immediately prior to the suspension of trading in Shares and the publication of the Rule 3.7 Announcements, of approximately HK\$1.36 per Share;
- (iv) a premium of approximately 31.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including 3 April 2018, being the last trading day immediately prior to the suspension of trading in Shares and the publication of the Rule 3.7 Announcements, of approximately HK\$1.34 per Share;
- (v) a premium of approximately 40.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including 3 April 2018, being the last trading day immediately prior to the suspension of trading in Shares and the publication of the Rule 3.7 Announcements, of approximately HK\$1.25 per Share;
- (vi) a premium of approximately 50.7% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including 3 April 2018, being the last trading day immediately prior to the suspension of trading in Shares and the publication of the Rule 3.7 Announcements, of approximately HK\$1.16 per Share;
- (vii) a premium of approximately 56.7% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including 3 April 2018, being the last trading day immediately prior to the suspension of trading in Shares and the publication of the Rule 3.7 Announcements, of approximately HK\$1.12 per Share;
- (viii) a premium of approximately 8.7% over the closing price of HK\$1.61 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ix) a premium of approximately 13.6% over the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (x) a discount of approximately 1.4% to the audited net asset value per Share of HK\$1.77 as at 31 December 2017.

Highest and lowest Share prices

During the six-month period preceding the date of the Rule 3.7 Announcements and up to the Latest Practicable Date, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.70 on 17 April 2018 and HK\$0.89 on 21 November 2017, respectively.

Value of the Offers

As at the Latest Practicable Date, based on the public information available to the Offeror, there were 3,352,221,555 Shares in issue, 198,772,820 outstanding Options granted under the Share Option Scheme entitling the Option Holders to subscribe for an aggregate of 198,772,820 Shares at an exercise price of US\$0.151 per Share (equivalent to approximately HK\$1.1853 per Share), and 40,483,618 RSUs granted

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under the RSU Scheme entitling RSU Holders to receive an aggregate of 40,483,618 RSU Shares (assuming the Board elects RSU Shares, instead of cash of equivalent value, to be transferred or issued (as the case may be) to all RSU Holders upon vesting).

On the assumption that:

- (i) the Partial Offer is accepted in full, the cash consideration payable by the Offeror for the Offer Shares is (a) HK\$2,962,525,800.50 (assuming that no Options are exercised and no RSU Shares are issued to the relevant RSU Holders on or after the Latest Practicable Date and on or before the Final Closing Date) or (b) HK\$3,173,968,680.75 (assuming that all the Options are exercised and all the RSUs have vested and RSU Shares are issued to all the RSU Holders on or after the Latest Practicable Date and on or before the Final Closing Date);
- (ii) no Options are exercised on or after the Latest Practicable Date and on or before the Final Closing Date and the Option Offer is accepted in full, the cash consideration payable by the Offeror under the Option Offer is HK\$56,684,741.29; and
- (iii) no RSU Shares are issued to the RSU Holders on or after the Latest Practicable Date and on or before the Final Closing Date, the cash consideration payable by the Offeror under the RSU Offer is HK\$35,777,399.00.

Accordingly, the maximum total cash consideration payable by the Offeror under the Offers will amount to not more than HK\$3,173,968,680.75.

Confirmation of financial resources

The Offeror intends to finance the cash required for the Offers from a combination of its internal cash reserves and an acquisition loan facility from China Minsheng Bank (which had been drawn down as at the date of the Announcement). The payment of the interest on and the repayment of any liability under the loan facility do not depend on the Company's business.

Citi, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

Effect of accepting the Offers

(i) Partial Offer

Acceptance of the Partial Offer by any Shareholder will constitute a warranty by such Shareholder to the Offeror that the Shares sold by it to the Offeror under the Partial Offer are fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after, the Final Closing Date.

(ii) Option Offer and RSU Offer

Acceptance of the Option Offer by the Option Holders or the RSU Offer by the RSU Holders (as the case may be) will result in the cancellation of those outstanding Options or RSUs, respectively, together with all rights attaching thereto.

Settlement of consideration

Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares, the Options and the RSUs tendered under the Offers will be despatched to the Shareholders, Option Holders and RSU Holders accepting the Offers by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the Final Closing Date.

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Other terms of the Offers

(i) Acceptance of the Partial Offer

Shareholders may accept the Partial Offer in respect of some or all of the Shares held by them. Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for not less than 1,675,540,532 Shares but not more than 1,692,295,936 Shares or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date), all Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 1,692,295,936 Shares or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date), the total number of Shares to be taken up by the Offeror from each accepting Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

A: 1,692,295,936 Shares or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of this Announcement and on or before the Final Closing Date), being the maximum number of Shares for which the Partial Offer is made

B: the total number of Shares tendered by all Shareholders under the Partial Offer

C: the number of Shares tendered by the relevant Shareholder under the Partial Offer

(ii) Acceptance of the Option Offer and RSU Offer

The same approach will be taken for determining the number of Options and RSU Shares to be taken up by the Offeror from each accepting Option Holder and RSU Holder, respectively, as for determining the number of Shares to be taken up by the Offeror from each accepting Shareholder. Further details are set out in Appendix I to the Offer Document.

(iii) Implication

It is possible that, if a Shareholder, Option Holder or RSU Holder (as the case may be) tenders all his/her Shares, Options or RSUs (as the case may be) for acceptance under the Offers, not all of such securities will be taken up. Shareholders, Option Holders and RSU Holders can, however, be assured that, in the event the Offers become unconditional in all respects, a minimum of 50.5% of the Shares, Options or RSUs (as the case may be) tendered for acceptance under the Offers will be taken up.

Fractions of Shares, Options and RSUs will not be taken up under the Offers and, accordingly, the number of Shares, Options and RSUs that the Offeror will take up from each Shareholder, Option Holder and RSU Holder (as the case may be) will be rounded up or down to the nearest whole number at the discretion of the Offeror.

3. IRREVOCABLE UNDERTAKINGS

On 14 May 2018, each of WP China and Baring (each being an existing shareholder of the Company, holding approximately 25.21% and 20.56%, respectively, of the issued share capital of the Company as

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at the date of the Announcement) gave an irrevocable undertaking to the Offeror that (among other things):

- (i) it will tender all the Shares held by it for acceptance of the Partial Offer by not later than the seventh business day after the dispatch of the Offer Document; and
- (ii) it will approve the Partial Offer in respect of all the Shares held by it.

The Irrevocable Undertakings will terminate if the Offers lapse or are withdrawn without having become wholly unconditional in circumstances permitted under the Takeovers Code. There are no other circumstances in which the Irrevocable Undertakings will terminate or lapse or WP China and Baring may withdraw acceptance of the Offers pursuant to the Irrevocable Undertakings.

As at the Latest Practicable Date, apart from the Irrevocable Undertakings, the Offeror had not received any indication or irrevocable commitment from any Shareholder to accept or reject the Offers.

4. LISTING STATUS

The Offeror intends to maintain the listing status of the Company on the Stock Exchange upon the completion of the Partial Offer. The Company had a public float of approximately 35% of the Shares in issue as at the Latest Practicable Date. Assuming full acceptance of the Partial Offer by all the Shareholders, the Company will have a public float of approximately 23% of the Shares in issue immediately following completion of the Offers (assuming there are no changes to the issued share capital of the Company after the Latest Practicable Date), which falls short of the 25% minimum public float requirement under Rule 8.08 of the Listing Rules. The Offeror undertakes to the Stock Exchange that it will take appropriate actions to ensure that the minimum public float requirement is complied with following the close of the Offers. The Offeror does not intend to avail itself of any powers of compulsory acquisition.

5. REASONS FOR AND BENEFITS OF MAKING THE OFFERS

The Offeror is making the Offers in light of the following key benefits which it believes the Offers will bring to the Xinjiang Xintai group:

- (i) Xinjiang Xintai will obtain high-quality assets for exploration, development and operation of coalbed methane (“CBM”), and build up a solid international platform of the Xinjiang Xintai group’s overseas businesses, which are expected to have strategic significance to the long-term development of the Xinjiang Xintai group;
- (ii) Xinjiang Xintai group expects to be able to improve its resources allocation by focusing on optimising core resources and increasing productivity in order to enhance the production and supply of CBM; and
- (iii) the market influence and brand value of Xinjiang Xintai are expected to be strengthened and promoted.

The Partial Offer is made by way of partial offer for the following key reasons:

- (i) Shareholders will be able to participate in the expected future growth of the Company and enjoy any resulting enhanced value and higher share price. If the Partial Offer is successful, the Offeror believes that it will be able to improve the Company’s performance on the grounds that: (a) given that the Company operates in the exploration and production of CBM and Xinjiang Xintai operates in the sales and distribution of natural gas, there will be strong synergies between Xinjiang Xintai and the Company to be realised from vertical integration, allowing the Company to (among other things) strengthen its supply chain, expand its business into new regions within the PRC and reduce its production costs; and (b) the Company will be able to leverage Xinjiang Xintai’s good relationship with (among others) a number of state-owned enterprises to expand the Company’s business;

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- (ii) the Partial Offer will offer an opportunity to those Shareholders who wish to realise part of their investment to do so at a premium to the Share price without having to incur certain brokerage fees, transaction levies and trading fees which are customarily payable when disposing of shares in the open market; and
- (iii) the Offeror wishes to maintain the listing status of the Company.

6. INTENTIONS OF THE OFFEROR IN RESPECT OF THE GROUP AND ITS EMPLOYEES

The Offeror intends to continue and expand the existing business of the Group. Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group. The Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

As at the Latest Practicable Date, save in connection with the Offeror's intention regarding the potential changes to the members of the Board as further detailed in the paragraph below, the Offeror had no intention to discontinue the employment of any employees of the Group.

Following the close of the Offers, the Offeror will nominate new directors for appointment to the Board, but, as at the Latest Practicable Date, it had not determined the exact number of new directors to be nominated.

7. MISCELLANEOUS

Information about the Offeror

The Offeror is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by 四川利明能源開發有限責任公司 (Sichuan Liming Energy Development Co., Ltd.*), a company incorporated in the PRC with limited liability, which is in turn directly wholly-owned by Xinjiang Xintai.

The Offeror is principally engaged in investment holding. Xinjiang Xintai is principally engaged in the distribution and sales of natural gas. Xinjiang Xintai provides natural gas sales services, including natural gas sales for civilian use and commercial use, natural gas installation services, as well as compressed natural gas transportation services. Xinjiang Xintai is a company incorporated under the laws of the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 603393). The controlling shareholder of Xinjiang Xintai is 明再遠 (Mr. Ming Zaiyuan*), holding approximately 35.78% of the total issued shares of Xinjiang Xintai as at the Latest Practicable Date.

Information about the Group

The following information is based on publicly available information published by the Company on the websites of the Company and the Stock Exchange.

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the **CBM** exploration and development sector in the PRC. Its key operating assets, the Panzhuang and Mabi concessions, are located in the Southwestern part of the Qinshui Basin, which has the largest proved CBM geological reserves in the PRC. The Company's Panzhuang concession is the most commercially advanced Sino-foreign CBM asset in China and the first Sino-foreign CBM cooperative project to have entered full-scale commercial development and production.

The audited consolidated net asset value of the Group as at 31 December 2017 was approximately RMB4,950 million.

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The audited consolidated net asset value per Share as at 31 December 2017 was approximately RMB1.48.

The audited consolidated net (loss)/profit of the Group for the last two financial years ended 31 December 2017 and 31 December 2016 were as follows:

	For the year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/profit before taxation	310,941	178,980
Net (loss)/profit after taxation	183,198	106,635

Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders

The availability of the Offers to persons who are not residents in Hong Kong may be affected by the applicable laws of the relevant jurisdiction in which they reside. Shareholders, Option Holders and RSU Holders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements in their own jurisdictions and, where necessary, seek their own legal advice. It is the responsibility of those Shareholders, Option Holders and RSU Holders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Shareholders, Option Holders and RSU Holders in respect of such jurisdictions).

Odd lots

Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Accordingly, Computershare Hong Kong Investor Services Limited whose address is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (telephone number: +852 2862 8555; office hours: 9:00 a.m. to 6:00 p.m.) has been appointed as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks following the close of the Partial Offer to enable such Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 1,000 Shares. Shareholders should note that the matching of odd lots is not guaranteed.

An accepting Option Holder or RSU Holder may, as a result of accepting the Option Offer or RSU Offer, hold Options or RSUs entitling him/her/it to subscribe for odd lots of Shares. Pursuant to the terms of the Option Scheme and RSU Scheme, Options and RSUs are not transferable and no matching sales or purchases of the resultant odd lot holdings of Options or RSUs will be arranged.

Hong Kong stamp duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptance of the Partial Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Partial Offer, whichever is higher, which will be deducted from the cash amount payable by the Offeror to such Shareholder on acceptance of the Partial Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Partial Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Partial Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

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No stamp duty is payable in connection with the cancellation of the Options or the RSUs.

Shareholders, Option Holders and RSU Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, Citi and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

8. ADDITIONAL INFORMATION

Your attention is drawn to the Acceptance Forms and the Appendices to the Offer Document, all of which form part of the Offer Document.

Yours faithfully,
For and on behalf of

Citigroup Global Markets Asia Limited

Colin Banfield
Managing Director

1. PROCEDURES FOR APPROVAL AND ACCEPTANCE OF THE OFFERS

To accept any of the Offers, you should complete and sign the Acceptance Forms in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offers.

The Partial Offer

- (i) Shareholders may accept the Partial Offer in respect of some or all of the Shares held by them. Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for not less than 1,675,540,532 Shares but not more than 1,692,295,936 Shares or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date), all Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 1,692,295,936 Shares or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date), the total number of Shares to be taken up by the Offeror from each accepting Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

- A: 1,692,295,936 Shares or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date (including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of this Announcement and on or before the Final Closing Date), being the maximum number of Shares for which the Partial Offer is made
- B: the total number of Shares tendered by all Shareholders under the Partial Offer
- C: the number of Shares tendered by the relevant Shareholder under the Partial Offer
- (ii) Whether or not the Shareholders accept the Partial Offer, they may approve the Partial Offer and specify the number of Shares in respect of which they approve the Partial Offer in the Partial Offer Approval and Acceptance Form. Each Share, fully paid up, shall be entitled to one vote only. Multiple votes in respect of the same Share will not be taken into account in counting the approval of the Partial Offer. Only one vote for each Share may be cast. If a Shareholder has put a tick “√” to indicate such Shareholder’s approval of the Partial Offer on the Partial Offer Approval and Acceptance Form but no number of Shares in respect of such approval is specified or any other information in the Partial Offer Approval and Acceptance Form is missing, incomplete or erroneous, the approval and the acceptance of the Partial Offer by such Shareholder will not be considered as valid until such missing, incomplete or erroneous information has been completed and rectified in such Partial Offer Approval and Acceptance Form. Shareholders may vote in respect of the total number of Shares held by them even though they do not intend to accept the Partial Offer and/or the number of Shares voted may be more than the number of Shares tendered for acceptance.
- (iii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of some or all of your Shares is/are in your name, and you wish to accept the Partial Offer in respect of your Shares, you must send the Partial Offer Approval and Acceptance Form duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title

(and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent, namely Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand, marked "AAG Energy Holdings Limited — Partial Offer" on the envelope, in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

- (iv) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Partial Offer in respect of some or all of your Shares, you must either:
 - (a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Partial Offer on your behalf and requesting it to deliver in an envelope marked "AAG Energy Holdings Limited — Partial Offer" the duly completed and signed Partial Offer Approval and Acceptance Form together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent; or
 - (b) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "AAG Energy Holdings Limited — Partial Offer" the duly completed and signed Partial Offer Approval and Acceptance Form together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Receiving Agent; or
 - (c) if your Shares have been lodged with your licensed securities dealer/ registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Partial Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (d) if your Shares have been lodged with your investor participant stock account with CCASS, authorise your instruction via the CCASS phone system or CCASS internet system no later than the deadline set out by HKSCC Nominees Limited.
- (v) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Partial Offer in respect of your Shares, you should nevertheless complete and sign the Partial Offer Approval and Acceptance Form and deliver it in an envelope marked "AAG Energy Holdings Limited — Partial Offer" to the Receiving Agent together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to the Offeror and/or Citi and/or the Receiving Agent or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Receiving Agent and to authorise and instruct the Receiving Agent to collect and hold such share certificate(s), subject to the terms and conditions of the Partial Offer, as if it was/they were delivered to the Receiving Agent with the Partial Offer Approval and Acceptance Form.
- (vi) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available or is/are lost, as the case may be, and you wish to accept the Partial Offer in respect of your Shares, you should nevertheless complete and sign the Partial Offer Approval and

Acceptance Form and deliver it in an envelope marked “AAG Energy Holdings Limited — Partial Offer” to the Receiving Agent together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Receiving Agent as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), you should report the loss to the Registrar and request the Registrar to replace your share certificate(s). You should also write to the Receiving Agent requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Receiving Agent.

- (vii) Acceptance of the Partial Offer will be treated as valid only if the duly completed and signed Partial Offer Approval and Acceptance Form is received by the Receiving Agent by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code), and the Receiving Agent has recorded that the Partial Offer Approval and Acceptance Form and any relevant documents required under paragraph (vi) below have been so received.
- (viii) Acceptance of the Partial Offer may not be counted as valid unless the Partial Offer Approval and Acceptance Form is duly completed and signed and is:
 - (a) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (b) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph under this paragraph (vi)); or
 - (c) certified by the Registrar or the Stock Exchange.

If the Partial Offer Approval and Acceptance Form is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Receiving Agent must be produced.

- (ix) No acknowledgement of receipt of any Partial Offer Approval and Acceptance Form, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

The Option Offer and the RSU Offer

- (i) Option Holders may accept the Option Offer in respect of some or all of the Options held by them. Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for not more than 100,956,224 Options (or such lower number of Options representing 50.5% of all the outstanding Options as at the Final Closing Date, excluding for this purpose Options in respect of which a valid notice of exercise has been delivered on or after the date of the Announcement and on or before the Final Closing Date), all Options validly accepted will be taken up and cancelled; and (ii) if valid acceptances are received for more than 100,956,224 Options (or such lower number of Options representing 50.5% of all the outstanding Options as at the Final Closing Date, excluding for this purpose Options in respect of which a valid notice of exercise has been delivered on or after the date of the Announcement and on or before the Final Closing Date), the total number of Options to be taken up by the Offeror from each Option Holder and cancelled will be determined in accordance with the following formula:

$$\frac{D}{E} \times F$$

- D: 100,956,224 Options (or such lower number of Options representing 50.5% of all the outstanding Options as at the Final Closing Date, excluding for this purpose Options in respect of which a valid notice of exercise has been delivered on or after the date of the Announcement and on or before the Final Closing Date), being the maximum number of Options for which the Option Offer is made
- E: the total number of Options tendered by all Option Holders under the Option Offer
- F: the number of Options tendered by the relevant Option Holder under the Option Offer

- (ii) RSU Holders may accept the RSU Offer in respect of some or all of the RSUs held by them. Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for not more than 20,444,228 RSUs (or such lower number of RSUs representing 50.5% of all the outstanding RSUs as at the Final Closing Date, excluding for this purpose RSUs which have vested and in respect of which RSU Shares have been transferred or issued (as the case may be) to the relevant RSU Holders on or after the date of the Announcement and on or before the Final Closing Date), all RSUs validly accepted will be taken up and cancelled; and (ii) if valid acceptances are received for more than 20,444,228 RSUs (or such lower number of RSUs representing 50.5% of all the outstanding RSUs as at the Final Closing Date, excluding for this purpose RSUs which have vested and in respect of which RSU Shares have been transferred or issued (as the case may be) to the relevant RSU Holders on or after the date of the Announcement and on or before the Final Closing Date), the total number of RSUs to be taken up by the Offeror from each RSU Holder and cancelled will be determined in accordance with the following formula:

$$\frac{G}{H} \times I$$

- G: 20,444,228 RSUs (or such lower number of RSUs representing 50.5% of all the outstanding RSUs as at the Final Closing Date, excluding for this purpose RSUs which have vested and in respect of which RSU Shares have been transferred or issued (as the case may be) to the relevant RSU Holders on or after the date of the Announcement and on or before the Final Closing Date), being the maximum number of RSUs for which the RSU Offer is made
- H: the total number of RSUs tendered by all RSU Holders under the RSU Offer
- I: the number of RSUs tendered by the relevant RSU Holder under the RSU Offer

- (iii) If you wish to accept the Option Offer or RSU Offer in respect of your Options or RSUs (as the case may be), you must send the duly completed and signed Option Offer Acceptance Form or RSU Offer Acceptance Form together with the relevant certificate(s) or other documents (if any) evidencing the grant of the Options or RSUs to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Receiving Agent at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "AAG Energy Holdings Limited – Option Offer" (in the case of the Option Offer) or "AAG Energy Holdings Limited – RSU Offer" (in the case of the RSU Offer) on the envelope as soon as possible but in any event so as to reach the Receiving Agent by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (iv) No stamp duty will be deducted from the amount paid or payable to the Option Holder(s) or RSU Holder(s) who accept(s) the Option Offer and RSU Offer, respectively.
- (v) No acknowledgement of receipt of any Option Offer Acceptance Form or RSU Offer Acceptance Form or the certificate(s) or other documents (if any) evidencing the grant of the Options or RSUs to you or any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Options and/or RSUs will be given.

Each of the Option Offer and the RSU Offer will be subject to and conditional upon the Partial Offer becoming or being declared unconditional in all respects.

Implication

It is possible that, if a Shareholder, Option Holder or RSU Holder (as the case may be) tenders all his/her Shares, Options or RSUs (as the case may be) for acceptance under the Offers, not all of such securities will be taken up. Shareholders, Option Holders and RSU Holders can, however, be assured that, in the event the Offers become unconditional in all respects, a minimum of 50.5% of the Shares, Options or RSUs (as the case may be) tendered for acceptance under the Offers will be taken up.

Fractions of Shares, Options and RSUs will not be taken up under the Offers and, accordingly, the number of Shares, Options and RSUs that the Offeror will take up from each Shareholder, Option Holder and RSU Holder (as the case may be) will be rounded up or down to the nearest whole number at the discretion of the Offeror.

Return of documents

If the Offers do not become, or are not declared, unconditional within the time permitted by the Takeovers Code, the share certificate(s) and/or certificate(s) of Options and/or RSUs and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Receiving Agent will be returned to the Shareholders, the Option Holders and the RSU Holders who have accepted the Offers by ordinary post at the Shareholders', the Option Holders' and the RSU Holders' own risk as soon as possible but in any event within 10 days after the Offers have lapsed.

2. SETTLEMENT

- (i) Provided that the Partial Offer becomes or is declared unconditional and a valid Partial Offer Approval and Acceptance Form and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Receiving Agent by no later than 4:00 p.m. on Thursday, 16 August 2018, being the Final Closing

Date (assuming the Offers become or are declared unconditional in all respects on the First Closing Date) or such later time and/or date as the Offeror may decide and announce and the Executive may approve, a cheque or a banker's cashier order for the amount due to each of the Shareholders who accept the Partial Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Partial Offer, together (where applicable) with any share certificate(s) and/or any transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) for Shares not taken up or share certificate(s) in respect of the balance of such Shares (taking account of any adjustment to his/her acceptance, stamp duty and the fees payable to the Registrar in respect of lost or unavailable share certificates) in accordance with the authority and provisions contained in the Partial Offer Approval and Acceptance Form, will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days following the Final Closing Date.

- (ii) Provided that the Partial Offer becomes or is declared unconditional and a valid Option Offer Acceptance Form or RSU Offer Acceptance Form and the relevant certificate(s) of Option or RSUs or other documents (if any) evidencing the grant of the Options and/or RSUs and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Options or RSUs are complete and in good order in all respects and have been received by the Receiving Agent by no later than 4:00 p.m. on Thursday, 16 August 2018, being the Final Closing Date (assuming the Offers become or are declared unconditional in all respects on the First Closing Date) or such later time and/or date as the Offeror may decide and announce and the Executive may approve, a cheque or a banker's cashier order for the amount due to each of the Option Holders or RSU Holders who accept the Option Offer or RSU Offer in respect of the Options or RSUs tendered by him/her under the Option Offer or the RSU Offer (as the case may be), together (where applicable) with the certificate(s) or letter(s) of grant, as the case may be, of the Options which are not successfully tendered and/or accepted under the Option Offer, will be despatched to such Option Holder and/or RSU Holder by ordinary post at his/her own risk as soon as possible but in any event within seven Business Days following the Final Closing Date.
- (iii) Settlement of the consideration to which any Shareholder, Option Holder or RSU Holder is entitled under the Offers, as the case may be, will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty in respect of the Partial Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder, Option Holder or RSU Holder.
- (iv) No fraction of a cent will be payable and the amount of cash consideration payable to a Shareholder, Option Holders or RSU Holders who accept the Offers will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

- (i) The Offers are made on 5 July 2018, being the date of despatch of this Offer Document, and are capable of acceptance on and from this date until 4:00 p.m. on the Final Closing Date.
- (ii) Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the Partial Offer Approval and Acceptance Form, Option Offer Acceptance Form and/or RSU Offer Acceptance Form should be received by the Receiving Agent, in each case in accordance with the instructions printed thereon, by 4:00 p.m. on the Final Closing Date. The Offers are conditional on (among other things) valid acceptances of the Partial Offer having been received (and not, where permitted, withdrawn) in respect of a minimum of 1,675,540,532 Shares (representing approximately 50.0% of Shares in issue as at the date of the Announcement plus one Share) by 4:00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as the Offeror

may decide and the Executive may approve). The Offeror will make an announcement as and when the Offers become or are declared unconditional (both as to acceptances and in all respects).

- (iii) If the Offers are extended, the Offeror will issue an announcement in relation to any extension of the Offers, which will state either the next closing date or, a statement that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offers are closed to those Shareholders, Option Holders and RSU Holders who have not accepted the relevant Offers before the Offers are closed. If, in the course of the Offers, the Offeror revises the terms of the Offers, all Shareholders, Option Holders and RSU Holders, whether or not they have already accepted the Offers, will benefit under the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (iv) If the Closing Date is extended, any reference in this Offer Document and in the Acceptance Forms to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. ANNOUNCEMENTS

- (i) By 6:00 p.m. on each Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offers. The Offeror must publish an announcement on the website of the Stock Exchange by 7:00 p.m. on the relevant Closing Date stating, among other things, the information required under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code. The announcement will include, among other things, whether the Offers have been revised or extended or have expired, the results of the Partial Offer, the Option Offer and the RSU Offer, as well as details of the way in which the pro rata entitlement for each accepting Shareholder, Option Holder and RSU Holder was determined. The announcement will also state the following:
 - (a) the total number of Offer Shares for which acceptances of the Partial Offer have been received;
 - (b) the total number of Options for which acceptances of the Option Offer have been received;
 - (c) the total number of RSUs for which acceptances of the RSU Offer have been received;
 - (d) the total number of Shares and rights over Shares, Options and RSUs held, controlled or directed by the Offeror and its concert parties before the Offer Period; and
 - (e) the total number of Shares and rights over Shares, Options and RSUs acquired or agreed to be acquired by the Offeror and its concert parties during the Offer Period.

The announcement will include details of any relevant securities of the Company which the Offeror or its concert parties have borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement will also specify the percentages of the relevant classes of issued share capital of the Company, the percentages of voting rights of the Company represented by these numbers of Shares and the percentages of votes cast to approve the Partial Offer.

- (ii) In computing the total number of Shares, Options and RSUs represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Receiving Agent, by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.
- (iii) As required under the Takeovers Code, all announcements in respect of the Offers will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

5. NOMINEE HOLDERS

Shareholders should note that the Offeror will regard the nominee company (including HKSCC Nominees Limited) as a single shareholder according to the Company's register of members. As such, the arrangement in relation to the acceptances of Shares tendered in excess of 1,692,295,936 Shares (or such higher number of Shares representing 50.5% of the Shares in issue as at the Final Closing Date, including any Shares for which a valid notice of exercise has been delivered in respect of an Option, and any RSU Shares issued to RSU Holders upon the vesting of the RSUs held by them, in each case on or after the date of the Announcement and on or before the Final Closing Date) will not be applicable to the beneficial owners who hold Shares through a nominee company individually.

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Partial Offer in the manner set out in the section entitled "1. PROCEDURES FOR APPROVAL AND ACCEPTANCE OF THE OFFERS – The Partial Offer – (iv)" above.

6. RIGHT OF WITHDRAWAL

- (i) The Offers are conditional upon fulfilment of the Conditions. Acceptances of the Offers tendered by the Shareholders, Option Holders and RSU Holders, respectively, shall be irrevocable and cannot be withdrawn, except in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the Partial Offer has not by then become unconditional as to acceptances.
- (ii) Furthermore, in the circumstances set out in Rule 19.2 of the Takeovers Code (namely, where the Offeror is unable to comply with any of the requirements for making announcements relating to the Offers as described under the paragraph headed "4. Announcements" above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.
- (iii) In such case, when the Shareholder(s), Option Holder(s) or RSU Holder(s) withdraw his/her/its acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or certificate(s) of Options and/or of RSUs and/or other document(s) of title (and/or any indemnity or indemnities provided in respect thereof) lodged with the Acceptance Forms to the relevant Shareholder(s), Option Holder(s) or RSU Holder(s) at his/her/its own risks.
- (iv) Save as aforesaid, acceptances of the Offers shall be irrevocable and not capable of being withdrawn.

7. OVERSEAS SHAREHOLDERS, OVERSEAS OPTION HOLDERS AND OVERSEAS RSU HOLDERS

The making of the Offers to the Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders may be affected by the laws of the relevant jurisdictions. The Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders should observe any applicable legal or regulatory requirements. The Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions with a view to observing any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or

other consents which may be required and the compliance with other necessary formalities or regulatory or legal requirements. The Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders will also be fully responsible for the payment of any transfer or other taxes or other required payments and duties by the accepting Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders payable in respect of all relevant jurisdictions. Acceptance of the Offers by the Overseas Shareholders, Overseas Option Holders and Overseas RSU Holders will constitute a representation and warranty by such person that the local laws and requirements have been complied with and such person is permitted under all applicable laws to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

8. NOTICE TO U.S. SHAREHOLDERS

The Partial Offer is being made for the securities of a company incorporated in the Cayman Islands and registered in Hong Kong as a non-Hong Kong company whose shares are listed on the Main Board of the Stock Exchange, and is therefore subject to Hong Kong disclosure requirements which are different from those of the United States. This Offer Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States. The Partial Offer is being made in the United States in reliance on the exemption from certain requirements of Regulation 14E of the United States Securities Exchange Act of 1934 provided by Rule 14d-1(c) thereunder and otherwise in accordance with the requirements of the SFO.

Accordingly, the Partial Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under United States domestic tender offer procedures and laws. The receipt of cash pursuant to the Partial Offer by a United States holder of Shares may be a taxable transaction for United States federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each United States holder of Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Partial Offer.

The financial information of Xinjiang Xintai included in this Offer Document has been extracted from the audited consolidated financial information of Xinjiang Xintai for the three years ended 31 December 2017, which have been prepared in accordance with generally accepted accounting principles in the PRC, and the unaudited consolidated financial information of Xinjiang Xintai for the three months ended 31 March 2018. Such financial information may not be comparable to financial information of United States companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States. It may be difficult for United States holders of Shares to enforce their rights and claims arising out of the United States federal securities laws, as the Offeror, the Company and Citi are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of the Offeror, the Company and Citi are located outside the United States. United States holders of Shares may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of the United States securities laws. Further, it may be difficult for United States holders of Shares to effect service of process within the United States upon the Offeror, the Company or Citi or their respective officers or directors, to enforce against them a judgment of a United States court or to compel them or their affiliates to subject themselves to a United States court judgment.

In accordance with the Takeovers Code, Citi and some of its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that any such purchase or arrangement complies with applicable law and is made outside the United States. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at <http://www.sfc.hk>.

9. TAX IMPLICATIONS

Shareholders, Option Holders and RSU Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, the Company, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers is in a position to advise the Shareholders, the Option Holders or the RSU Holders on their individual tax implication nor accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

10. GENERAL

- (i) All communications, notices, the Acceptance Forms, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders and/or Option Holders and/or RSU Holders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders and/or Option Holders and/or RSU Holders at their addresses, specified on the relevant Acceptance Forms. None of the Offeror, the Company, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accepts any responsibility for any loss or delay in transmission or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Acceptance Forms form part of the terms of the Offers.
- (iii) The accidental omission to despatch this Offer Document and/or Acceptance Forms or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (iv) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the Acceptance Forms will constitute an irrevocable authority to the Offeror and/or Citi (or such person or persons as the Offeror and/or Citi may direct) to complete and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the Offer Shares in respect of which such person or persons has accepted the Partial Offer or cancelling the Options or RSUs (as the case may be).
- (vi) References to the Offers in this Offer Document and in the Acceptance Forms include any extension and/or revision thereof.
- (vii) The English text of this Offer Document and the Acceptance Forms shall prevail over the Chinese text for the purpose of interpretation.
- (viii) In making their decision, Shareholders, Option Holders and RSU Holders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Offer Document, including any general advice or recommendation contained herein together with the Acceptance Forms, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Citi, the Receiving Agent, the Registrar or their respective professional advisers. Shareholders, Option Holders and RSU Holders should consult their own professional advisers for professional advice.

1. THE OFFEROR

As the Offeror was incorporated on 15 February 2018, no audited financial information on the Offeror was available as at the Latest Practicable Date.

2. XINJIANG XINTAI**A. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION**

Set out below is a summary of the financial information of Xinjiang Xintai for: (i) the three financial years ended 31 December 2017 as extracted from the audited consolidated financial statements of Xinjiang Xintai; and (ii) the three months ended 31 March 2018 as extracted from the unaudited financial statements of Xinjiang Xintai.

The auditors of Xinjiang Xintai, Mazars Certified Public Accountants, did not issue any qualified opinion on the financial statements of Xinjiang Xintai in any of the three years ended 31 December 2017. Xinjiang Xintai had no exceptional or extraordinary items because of size, nature or incidence in any of the three years ended 31 December 2017 or the three months ended 31 March 2018.

Items	Three months ended 31 March 2018 (unaudited)	Year ended 31 December		
		2017	2016	2015
		RMB		
Turnover	329,315,225.92	1,016,211,041.45	914,506,740.60	949,712,770.15
Net profit or loss before taxation	86,202,706.13	310,140,995.64	242,253,674.61	239,376,968.47
Net profit or loss attributable to shareholders	73,703,816.90	263,697,411.03	203,361,813.17	200,404,950.67
Net profit or loss attributable to minority interests	0	0	0	0
The charge for tax	12,498,889.23	46,443,584.61	38,891,861.44	38,972,017.80
The amount absorbed by dividends	0	112,000,000.00	120,000,000.00	96,000,000.00
Earnings per share	0.46	1.65	1.56	1.67
Dividends per share	0	0.70	0.75	0.80

**B. FINANCIAL INFORMATION OF XINJIANG XINTAI FOR THE YEAR ENDED 31
DECEMBER 2017**

Set out below is the full text of the audited consolidated financial statements of Xinjiang Xintai for the year ended 31 December 2017. References in the financial statements to the Company and the Group are to Xinjiang Xintai and its group of companies, respectively.

CONSOLIDATED BALANCE SHEET

December 31, 2017

Prepared by: Xinjiang Xintai Natural Gas Co., Ltd.

		Unit: Yuan	Currency: RMB
Items	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		974,188,338.21	399,454,309.83
Deposit reservation for balance			
Lendings to banks and other financial institutions			
Financial assets at fair value through loss or profit for the current period			
Derivative financial assets			
Notes receivable		18,238,360.00	4,486,433.54
Accounts receivable		75,080,287.73	39,499,274.25
Advances from customers		18,553,917.40	20,369,178.29
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Interests receivable			
Dividends receivable			
Other receivables		23,420,563.59	19,017,784.62
Financial assets purchased under agreements to resell			
Inventories		23,730,506.64	12,290,839.26
Assets held for sale			
Non-current assets due within 1 year			
Other current assets		423,187,330.10	905,613,034.95
Total current assets		1,556,399,303.67	1,400,730,854.74
Non-current assets:			
Loans and advances to customers			
Available-for-sale financial assets		710,000.00	710,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment properties			
Fixed assets		632,114,780.23	567,300,585.72
Construction in progress		14,709,815.37	36,673,717.37

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	Note	Closing balance	Opening balance
Construction supplies		9,915,025.29	
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		57,741,159.76	59,573,869.33
Development expenditures			
Goodwill			
Long-term prepaid expenses		15,024,438.64	17,451,759.94
Deferred tax assets		1,797,491.46	1,338,282.46
Other non-current assets		7,610,904.88	6,744,304.88
Total non-current assets		739,623,615.63	689,792,519.70
Total assets		2,296,022,919.30	2,090,523,374.44
Current liabilities:			
Short-term borrowings			
Borrowings from the central bank			
Absorbing deposits and interbank deposits			
Borrowings from banks and other financial institutions			
Financial liabilities at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		120,320,056.85	71,264,439.70
Advances from customers		128,334,190.39	117,318,603.10
Financial assets sold under agreements to purchase			
Fees and commissions payable			
Employee benefits payable		12,500,169.26	10,706,199.09
Taxes payable		20,599,808.93	18,272,210.93
Interests payable			
Dividends payable			
Other payables		6,534,018.62	9,876,818.72
Reinsurance accounts payable			
Insurance contract reserve			
Customer brokerage deposits			
Undertaking proceeds deposits			
Liabilities held for sale			
Non-current liabilities due within 1 year			28,000,000.00
Other current liabilities			
Total current liabilities		288,288,244.05	255,438,271.54
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: Preference shares			

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	Note	Closing balance	Opening balance
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables		55,169,469.65	46,486,877.40
Estimated liabilities			
Deferred income		10,875,670.30	398,679.03
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		66,045,139.95	46,885,556.43
Total liabilities		354,333,384.00	302,323,827.97
Owners' equity			
Share capital		160,000,000.00	160,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,170,742,370.89	1,170,742,370.89
Less: Treasury shares			
Other comprehensive income			
Special reserve		45,727,504.48	43,934,926.68
Surplus reserve		99,844,271.88	75,572,354.09
Generic risk provision			
Undistributed profit		465,375,388.05	337,949,894.81
Net equity attributable to the equity owners of the Company		1,941,689,535.30	1,788,199,546.47
Minority interests			
Total owners' equity		1,941,689,535.30	1,788,199,546.47
Total liabilities and owner's equity		2,296,022,919.30	2,090,523,374.44

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

BALANCE SHEET OF THE COMPANY

December 31, 2017

Prepared by: Xinjiang Xintai Natural Gas Co., Ltd.

Unit: Yuan Currency: RMB

Items	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		783,924,959.17	232,196,338.09
Financial assets at fair value through profit or loss for the current period			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Advances to suppliers		100,000.00	
Interests receivable			
Dividends receivable			
Other receivables		84,074,465.86	191,429,023.43
Inventories			
Assets held for sale			
Non-current assets due within 1 year			
Other current assets		390,025,260.67	900,009,310.57
Total current assets		1,258,124,685.70	1,323,634,672.09
Non-current assets:			
Available-for-sale financial assets		600,000.00	600,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		444,420,551.11	324,420,551.11
Investment properties			
Fixed assets		303,600.88	74,771.93
Construction in progress			
Construction supplies			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		40,096.69	58,276.69
Development expenditures			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets			
Other non-current assets			
Total non-current assets		445,364,248.68	325,153,599.73
Total assets		1,703,488,934.38	1,648,788,271.82

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		330,300.00	2,900.00
Advances from customers			
Employee benefits payable		1,464,810.75	1,062,054.97
Taxes payable		176,493.12	36,600.57
Interests payable			
Dividends payable			
Other payables		470,600.04	77,359,163.68
Liabilities held for sale			
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		2,442,203.91	78,460,719.22
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		2,442,203.91	78,460,719.22
Owners' equity:			
Share capital		160,000,000.00	160,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,153,389,671.73	1,153,389,671.73
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		99,844,271.88	75,572,354.09

APPENDIX II**FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI**

Items	Note	Closing balance	Opening balance
Undistributed profit		287,812,786.86	181,365,526.78
Total owners' equity		1,701,046,730.47	1,570,327,552.60
Total liabilities and owner's equity		1,703,488,934.38	1,648,788,271.82

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

CONSOLIDATED INCOME STATEMENT

January to December, 2017

Unit: Yuan Currency: RMB

Items	Note	For the current period	For the previous period
I. Total operating revenue		1,016,211,041.45	914,506,740.60
Including: Operating revenue		1,016,211,041.45	914,506,740.60
Interest income			
Premiums earned			
Fees and commission income			
II. Total operating costs		750,550,933.19	693,343,425.99
Including: operating costs		686,484,407.70	625,230,084.87
Interest expenses			
Fees and commission expenses			
Surrender			
Net amount of expense of compensation			
Net amount of withdrawal of insurance contract reserve			
Dividend expenditure of insurance policy			
Reinsurance expense			
Taxes and surcharges		7,464,869.34	7,311,381.02
Selling and distribution expenses		17,284,786.84	14,119,535.30
General and administrative expenses		42,823,920.09	43,753,310.16
Financial expenses		-6,349,814.34	643,323.96
Asset impairment losses		2,842,763.56	2,285,790.68
Add: gains from changes in fair value (loss is represented by “-”)			
Investment income (loss is represented by “-”)		15,540,740.16	71,226.09
Including: share of profit of associates and joint ventures			
Income on disposal of fixed assets (loss is represented by “-”)		641,131.42	-24,436.54
Exchange gains (loss is represented by “-”)			
Other income		29,335,172.17	
III. Operating profit (loss is represented by “-”)		311,177,152.01	221,210,104.16
Add: non-operating income		67,549.37	22,146,703.15
Less: non-operating expenses		1,103,705.74	1,103,132.70
IV. Total profit (total loss is represented by “-”)		310,140,995.64	242,253,674.61
Less: income tax expenses		46,443,584.61	38,891,861.44

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

V. Net profit (net loss is represented by “-”)		263,697,411.03	203,361,813.17
(I) Classified based on business continuity			
1. Going concern (loss is represented by “-”)		263,697,411.03	203,361,813.17
2. Business termination (loss is represented by “-”)			
(II) Classified based on ownership			
1. Minority interests			
2. Net profit attributable to equity owners of the Company		263,697,411.03	203,361,813.17
VI. Net comprehensive income after tax			
Net comprehensive income after tax attributable to owners of the parent			
(I) Other comprehensive income that cannot be subsequently reclassified into profit or loss			
1. Changes arising from re-measurement of net liabilities or assets relating to defined benefit plans			
2. Share of other comprehensive income of investees which cannot be reclassified subsequently to profit or loss under equity method			
(II) Other comprehensive income that will be subsequently reclassified to profit or loss			
1. Share of other comprehensive income of investees which will be reclassified subsequently to profit or loss under equity method			
2. Gain or loss arising from changes in fair value of available-for-sale financial assets			
3. Gain or loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow hedges			
5. Differences from translating foreign currency financial statements			
6. Others			
Net comprehensive income after tax attributable to minority shareholders			

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

VII. Total comprehensive income		263,697,411.03	203,361,813.17
Attributable to equity owners of the Company		263,697,411.03	203,361,813.17
Attributable to minority interests			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		1.65	1.56
(II) Diluted earnings per share (RMB/share)		1.65	1.56

Where the business combination under the common control occurs in the current period, the net profit attributable to the combined party is RMB 0; the net profit attributable to the combined party in the previous period is RMB 0.

Legal representative: Ming Zaifu, Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

INCOME STATEMENT of THE COMPANY

January to December, 2017

Unit: Yuan Currency: RMB

Items	Note	For the current period	For the previous period
I. Operating revenue			758,233.95
Less: Operating costs			
Taxes and surcharges		175,007.65	554,922.50
Selling and distribution expenses			
General and administrative expenses		11,505,419.21	9,741,488.52
Financial expenses		-5,363,287.83	-2,138,334.68
Asset impairment losses			
Add: gains from changes in fair value (loss is represented by “-”)			
Investment income (loss is represented by “-”)		249,051,216.90	176,557,695.67
Including: share of profit of associates and joint ventures			
Income on disposal of fixed assets (loss is represented by “-”)			
Other income			
II. Operating profit (loss is represented by “-”)		242,734,077.87	169,157,853.28
Add: non-operating income			1,200,000.00
Less: non-operating expenses		14,900.00	1,000,000.00

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	Note	For the current period	For the previous period
III. Total profit (total loss is represented by “-”)		242,719,177.87	169,357,853.28
Less: income tax expenses			
IV. Net profit (net loss is represented by “-”)		242,719,177.87	169,357,853.28
(I) Going concern (loss is represented by “-”)		242,719,177.87	169,357,853.28
(II) Business termination (loss is represented by “-”)			
V. Net comprehensive income after tax			
(I) Other comprehensive income that cannot be subsequently reclassified into profit or loss			
1. Changes arising from re-measurement of net liabilities or assets relating to defined benefit plans			
2. Share of other comprehensive income of investees which cannot be reclassified subsequently to profit or loss under equity method			
(II) Other comprehensive income that will be subsequently reclassified to profit or loss			
1. Share of other comprehensive income of investees which will be reclassified subsequently to profit or loss under equity method			
2. Gain or loss arising from changes in fair value of available-for-sale financial assets			
3. Gain or loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow hedges			
5. Differences from translating foreign currency financial statements			
6. Others			
VII. Total comprehensive income		242,719,177.87	169,357,853.28
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

CONSOLIDATED STATEMENT OF CASH FLOW

January to December, 2017

Unit: Yuan Currency: RMB

Items	Note	For the current period	For the previous period
I. Cash flow generated from operating activities:			
Cash received from sales of goods or rendering of services		1,045,028,769.18	1,028,104,633.51
Net increase of customer deposits and interbank deposits			
Net increase of loans from the central bank			
Net increase of capital borrowed from other financial institutions			
Cash received from original insurance contract fees			
Net cash received from reinsurance business			
Insured savings and net increase of investment			
Net increase in financial assets at fair value through profit or loss			
Cash received from interest, commission charge and commission			
Net increase of capital borrowed			
Net increase of returned business			
Tax refund received			
Cash received relating to other operating activities		65,265,404.13	32,214,125.74
Sub-total of cash inflow from operating activities		1,110,294,173.31	1,060,318,759.25
Cash paid for goods and service		623,909,215.46	627,979,220.99
Net increase of customer loans and advances			
Net increase of deposits in the central bank and interbank			
Cash paid for original insurance contract compensation			
Cash paid for interest, commission charge and commission			
Cash paid for bonus of guarantee slip			
Cash paid to and for employees		65,565,709.20	57,590,434.43

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	Note	For the current period	For the previous period
Payments of taxes and surcharges		87,256,480.15	84,111,199.07
Cash payments relating to other operating activities		41,551,866.22	28,224,076.53
Sub-total of cash outflows for operating activities		818,283,271.03	797,904,931.02
Net cash flow from operating activities		292,010,902.28	262,413,828.23
II. Cash flow generated from investing activities:			
Cash from disposal of investments		2,775,000,000.00	
Cash received from returns on investments		16,468,911.02	71,226.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		58,160.00	47,000.00
Net cash received in disposing subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		2,791,527,071.02	118,226.09
Cash paid to acquire fixed assets, intangible assets and other long-term assets		89,305,978.25	47,807,962.71
Cash paid to acquire investments		2,290,000,000.00	900,000,000.00
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows		2,379,305,978.25	947,807,962.71
Net cash flow from investing activities		412,221,092.77	-947,689,736.62
III. Cash flow generated from financing activities:			
Cash received by capital contribution			1,034,408,000.00
Including: cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings			

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	Note	For the current period	For the previous period
Cash received from issuance of debentures			
Cash received relating to other financing activities		10,890,000.00	
Sub-total of cash inflows		10,890,000.00	1,034,408,000.00
Cash repayments of borrowings		28,000,000.00	51,000,000.00
Cash payments for distribution of dividends, profits and interest		112,387,966.67	123,561,439.58
Including: dividend and interest paid by subsidiaries to minority shareholders			
Cash payments relating to other financing activities			7,678,978.93
Sub-total of cash outflows		140,387,966.67	182,240,418.51
Net cash flow from financing activities		-129,497,966.67	852,167,581.49
IV. Effect of change of foreign currency rates on cash and cash equivalents			
V. Net increase in cash and cash equivalents		574,734,028.38	166,891,673.10
Add: Cash and cash equivalents at beginning of the period		399,454,309.83	232,562,636.73
VI. Cash and cash equivalents at end of the period		974,188,338.21	399,454,309.83

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

CASH FLOW STATEMENT OF THE COMPANY

January to December, 2017

Unit: Yuan Currency: RMB

Item	Note	For the current period	For the previous period
I. Cash flow generated from operating activities:			
Cash received from sales of goods or rendering of services			758,233.95
Tax refund received			
Cash received relating to other operating activities		246,649,682.30	120,097,143.11
Sub-total of cash inflow from operating activities		246,649,682.30	120,855,377.06
Cash paid for goods and service			26,100.00
Cash paid to and for employees		7,591,430.40	5,263,892.39
Payments of taxes and surcharges		969,969.01	555,767.50
Cash payments relating to other operating activities		182,356,741.41	130,491,915.63
Sub-total of cash outflows for operating activities		190,918,140.82	136,337,675.52
Net cash flow from operating activities		55,731,541.48	-15,482,298.46
II. Cash flow generated from investing activities:			
Cash from disposal of investments		2,775,000,000.00	
Cash received from returns on investments		249,979,387.76	176,557,695.67
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received in disposing subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		3,024,979,387.76	176,557,695.67
Cash paid to acquire fixed assets, intangible assets and other long-term assets		270,970.00	2,890.00
Cash paid to acquire investments		2,385,000,000.00	900,000,000.00
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities		31,711,338.16	14,444,192.87

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Item	Note	For the current period	For the previous period
Sub-total of cash outflows		2,416,982,308.16	914,447,082.87
Net cash flow from investing activities		607,997,079.60	-737,889,387.20
III. Cash flow generated from financing activities:			
Cash received by capital contribution			1,034,408,000.00
Cash received from borrowings			
Cash received from issuance of debentures			
Cash received relating to other financing activities			
Sub-total of cash inflows			1,034,408,000.00
Cash repayments of borrowings			
Cash payments for distribution of dividends, profits and interest		112,000,000.00	120,000,000.00
Cash payments relating to other financing activities			7,678,978.93
Sub-total of cash outflows		112,000,000.00	127,678,978.93
Net cash flow from financing activities		-112,000,000.00	906,729,021.07
IV. Effect of change of foreign currency rates on cash and cash equivalents			
V. Net increase in cash and cash equivalents		551,728,621.08	153,357,335.41
Add: Cash and cash equivalents at beginning of the period		232,196,338.09	78,839,002.68
VI. Cash and cash equivalents at end of the period		783,924,959.17	232,196,338.09

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
January to December, 2017

Unit: Yuan Currency: RMB

Items	For the current period											Minority interests	Total owners' equity
	Equity attributable to owners of the Company												
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Generic risk provision	Undistributed profits		
I. Closing balance for the previous period	160,000,000.00				1,170,742,370.89			43,934,926.68	75,572,354.09		337,949,894.81		1,788,199,546.47
Add: Changes in accounting policies													
Prior errors' correction													
Business combination under common control													
Others													
II. Opening balance for the current period	160,000,000.00				1,170,742,370.89			43,934,926.68	75,572,354.09		337,949,894.81		1,788,199,546.47
III. Movements for the current period (loss is represented by "-")							1,792,577.80	24,271,917.79		127,425,493.24		153,489,988.83	
(I) Total comprehensive income										263,697,411.03		263,697,411.03	
(II) Common shares invested and lost by owners													
1. Common shares invested by owners													
2. Capital invested by holders of other equity instruments													
3. Amount of share-based payments recorded in owners' equity													
4. Others													
(III) Profit distribution								24,271,917.79		-136,271,917.79		-112,000,000.00	
1. Extraction of special reserves								24,271,917.79		-24,271,917.79			
2. Extraction of general risk provision													
3. Profit distributed to owners (shareholders)										-112,000,000.00		-112,000,000.00	
4. Others													
(IV) Transfers within the owners' equity													
1. Capital (or share capital) transferred from capital reserve													
2. Capital (or share capital) transferred from surplus reserve													
3. Recovery of losses by surplus reserve													
4. Others													
(V) Special reserve							1,792,577.80					1,792,577.80	
1. Extracted in the current period							11,807,312.24					11,807,312.24	
2. Used in the current period							10,014,734.44					10,014,734.44	
(VI) Others													
IV. Closing balance for the current period	160,000,000.00				1,170,742,370.89			45,727,504.48	99,844,271.88		465,375,388.05		1,941,689,535.30

Items	For the previous period											Minority interests	Total owners' equity
	Equity attributable to owners of the Company												
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Generic risk provision	Undistributed profits		
I. Closing balance for the previous period	120,000,000.00				188,299,245.97			40,387,617.18	58,636,568.76		271,523,866.97		678,847,298.88
Add: Changes in accounting policies													
Prior errors' correction													
Business combination under common control													
Others													
II. Opening balance for the current period	120,000,000.00				188,299,245.97			40,387,617.18	58,636,568.76		271,523,866.97		678,847,298.88
III. Movements for the current period (loss is represented by "-")	40,000,000.00				982,443,124.92			3,547,309.50	16,935,785.33		66,426,027.84		1,109,352,247.59
(I) Total comprehensive income										203,361,813.17		203,361,813.17	
(II) Common shares	40,000,000.00				982,443,124.92								1,022,443,124.92

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	For the previous period											Minority interests	Total owners' equity
	Equity attributable to owners of the Company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Generic risk provision	Undistributed profits		
		Preference shares	Perpetual bonds	Others									
invested and lost by owners													
1. Common shares invested by owners	40,000,000.00				982,443,124.92								1,022,443,124.92
2. Capital invested by holders of other equity instruments													
3. Amount of share-based payments recorded in owners' equity													
4. Others													
(III) Profit distribution													
1. Extraction of special reserves									16,935,785.33		-136,935,785.33		-120,000,000.00
2. Extraction of general risk provision									16,935,785.33		-16,935,785.33		
3. Profit distributed to owners (shareholders)											-120,000,000.00		-120,000,000.00
4. Others													
(IV) Transfers within the owners' equity													
1. Capital (or share capital) transferred from capital reserve													
2. Capital (or share capital) transferred from surplus reserve													
3. Recovery of losses by surplus reserve													
4. Others													
(V) Special reserve								3,547,309.50					3,547,309.50
1. Extracted in the current period								13,132,226.76					13,132,226.76
2. Used in the current period								9,584,917.26					9,584,917.26
(VI) Others													
IV. Closing balance for the current period	160,000,000.00				1,170,742,370.89			43,934,926.68	75,572,354.09		337,949,894.81		1,788,199,546.47

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

January to December, 2017

Unit: Yuan Currency: RMB

Items	For the current period											Total owners' equity
	Share Capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
		Preference shares	Perpetual bonds	Others								
I. Closing balance for the previous period	160,000,000.00				1,153,389,671.73				75,572,354.09	181,365,526.78		1,570,327,552.60
Add: Changes in accounting policies												
Prior errors' correction												
Others												
II. Opening balance for the current period	160,000,000.00				1,153,389,671.73				75,572,354.09	181,365,526.78		1,570,327,552.60
III. Movements for the current period (loss is represented by "-")									24,271,917.79	106,447,260.08		130,719,177.87
(1) Total comprehensive income										242,719,177.87		242,719,177.87

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	For the current period										
	Share Capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
(2) Common shares invested and lost by owners											
1. Common shares invested by owners											
2. Capital invested by holders of other equity instruments											
3. Amount of share-based payments recorded in owners' equity											
4. Others											
(III) Profit distribution									24,271,917.79	-136,271,917.79	-112,000,000.00
1. Extraction of surplus reserves									24,271,917.79	-24,271,917.79	
2. Profit distributed to owners (shareholders)										-112,000,000.00	-112,000,000.00
3. Others											
(IV) Transfers within the owners' equity											
1. Capital (or share capital) transferred from capital reserve											
2. Capital (or share capital) transferred from surplus reserve											
3. Recovery of losses by surplus reserve											
4. Others											
(V) Special reserve											
1. Extracted in the current period											
2. Used in the current period											
(VI) Others											
IV. Closing balance for the current period	160,000,000.00				1,153,389,671.73				99,844,271.88	287,812,786.86	1,701,046,730.47

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	For the previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Closing balance for the previous period	120,000,000.00				170,946,546.81				58,636,568.76	148,943,458.83	498,526,574.4
Add: Changes in accounting policies											
Prior errors' correction											
Others											
II. Opening balance for the current period	120,000,000.00				170,946,546.81				58,636,568.76	148,943,458.83	498,526,574.4
III. Movements for the current period (loss is represented by "-")	40,000,000.00				982,443,124.92				16,935,785.33	32,422,067.95	1,071,800,978.2
(I) Total comprehensive income										169,357,853.28	169,357,853.28
(II) Common shares invested and lost by owners	40,000,000.00				982,443,124.92						1,022,443,124.92
1. Common shares invested by owners	40,000,000.00				982,443,124.92						1,022,443,124.92
2. Capital invested by holders of other equity instruments											
3. Amount of share-based payments recorded in owners' equity											
4. Others											
(III) Profit distribution									16,935,785.33	-136,935,785.33	-120,000,000.00
1. Extraction of surplus reserves									16,935,785.33	-16,935,785.33	
2. Extraction of general risk provision										-120,000,000	-120,000,000
3. Others											
(IV) Transfers within the owners' equity											
1. Capital (or share capital) transferred from capital reserve											
2. Capital (or share capital) transferred from surplus reserve											
3. Recovery of losses by surplus reserve											
4. Others											
(V) Special reserve											
1. Extracted in the current period											

APPENDIX II

**FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI**

Items	For the previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
2. Used in the current period											
(VI) Others											
IV. Closing balance for the current period	160,000,000.00				1,153,389,671.73				75,572,354.09	181,365,526.78	1,570,327,552.6

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

III. Profile of the Company

1. Overview

Applicable Not applicable

Xinjiang Xintai Natural Gas Co., Ltd. (新疆鑫泰天然氣股份有限公司) (hereinafter referred to as “the Company”), formerly known as Xinjiang Xintai Investment (Group) Co., Ltd. (新疆鑫泰投資(集團)有限公司) (hereinafter referred to as “Xintai Investment”) was founded on June 13, 2002 with a registered capital of RMB 41.4 million. After several capital increases and equity transfers, the Company’s registered capital was increased to RMB 113,715,200 as at November 28, 2012.

On December 31, 2012, the shareholders’ meeting of Xintai Investment passed the resolution to change as a whole into a company limited by shares with November 30, 2012 as the benchmark date. The net assets of Xintai Investment as at November 30, 2012, RMB 290,946,500, were converted to 120 million shares in proportion to 1:0.41244, and the remaining net assets were included in the capital reserves. On January 16, 2013, the Company completed the procedures for industrial and commercial registration with Xinjiang industrial and commercial bureau.

On August 19, 2016, with the approval of China Securities Regulatory Commission, Zheng Jian Xu Ke [2016] No. 1884 Document, the Reply to the Initial Public Offering of Xinjiang Xintai Natural Gas Co., Ltd., the Company issued to the public 40 million Renminbi ordinary shares on August 31, 2016; The above-mentioned proceeds for equity issuance had been verified by MAZARS (中審眾環會計師事務所(特殊普通合伙)) with Capital Verification Report Zhong Huan Yan Zi (2016) 080008 and the Company’s shares were listed on the Shanghai Stock Exchange on September 12, 2016. After the issuance, the Company’s share capital was changed to 160 million shares.

The Company’s unified social credit code is: 916501007383763383; legal representative: Ming Zaifu; registered address: Shop 2, 1/F, No. 25 Building of Loulan New City, No. 179 Zhizhushan Lane, Aletai Road, Urumqi New High-Tech Industrial Development Zone (New City), Xinjiang; scope of business: natural gas (unlicensed hazardous chemicals may not be operated). investment in the urban heating industry; sales of gas appliances, construction materials, steel products, hardware and electronic products, mechanical and electrical products, and chemical products. (Items subject to approval according to law shall not be carried out before such approval is granted by the competent authorities)

As at December 31, 2017, the Company’s registered capital was RMB 160 million and the actual controller is Mr. Ming Zaiyuan.

2. Scope of consolidated financial statements

Applicable Not applicable

The consolidation scope of consolidated financial statements of the Company is determined on the basis of control, and all subsidiaries are included in the consolidated financial statements. Subsidiaries refer to all entities over which the Company has control rights. If the Company has the power over the entity and enjoys the variable return through participating in activities related to the entity, and has the ability to affect the Company’s return by using the power over it, it shall be deemed that the Company controls such entity. Subsidiaries will be included into the scope of consolidation from the date when the Company obtains the control right over them and excluded from the date when the Company loses control.

For subsidiaries included into the scope of the consolidated financial statements of the Company and details thereof, please refer to “IX. Equity in Other Entities”.

IV. Basis of preparation of the financial statements

1. Preparation basis

The financial statements are prepared on a going concern basis. The Company recognizes and measures its accounting items in accordance with the Accounting Standards for Business Enterprises – Basic Standards and other relevant accounting provisions on the basis of actual transactions and events.

The financial statements were prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standards issued on 15 February 2006 and the specific accounting standards and the relevant regulations issued thereafter (hereafter collectively referred to as “Accounting Standards for Business Enterprises”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

2. Going concern

Applicable Not applicable

During the preparation of the financial statements, the Company has fully evaluated its ability to continue operating in the next 12 months from the balance sheet date. After evaluation by making use of all available information, including the history of recent profit-making operations, financial resource supports such as bank financing and other information, the Company reasonably expects that the Company will have sufficient resources to maintain its operations within the next 12 months from the balance sheet date. Therefore, the Company has prepared the financial statements on a going concern basis.

V. Principal accounting policies and estimates

Tips for specific accounting policies and accounting estimates:

Applicable Not applicable

1. Statement on compliance with Accounting Standards for Business Enterprises

The financial statements for the year ended December 31, 2017 meet the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the consolidated financial position and the parent company’s financial position as at December 31, 2017, and the consolidated operating results and the parent company’s operating results and cash flows and other related information for the year then ended.

2. Accounting period

Accounting period of the Company is divided into annual and interim period. Interim period refers to a reporting period shorter than a full fiscal year. The calendar year is adopted for the accounting year of the Company, namely, from January 1 to December 31 of each year.

3. Operating cycle

Applicable Not applicable

The Company’s normal operating cycle is one year (12 months).

4. Functional currency

RMB is the currency used in main economic environment where the Company's domestic institutions operate their business and the Company prepares its financial statements in RMB.

5. Accounting treatment methods for business combinations under and not under common control

Applicable Not applicable

- (1) For the business combination under common control occurred during the reporting period of the Company, the Company shall adopt the pooling of interest method for accounting treatment. Assets and liabilities acquired from business combination are measured at book value of the acquiree in the consolidated financial statements of the ultimate controller on the combination date. Capital reserves shall be adjusted at the difference between the book value of net assets acquired and that of combination consideration paid; in case that the capital reserves are not enough for write-down, the retained earnings need to be adjusted. The auditing, assessment, legal services and other directly related expenses for business combination will be included into current profit and loss upon occurrence. The bonds issued for the business combination or the handling fees and commissions paid for assuming other debts shall be included in the initial measurement amount of the bonds and other debts issued. The handling charges, commissions and other expenses for the issuance of equity securities for the business combination offset premium income of the equity securities; if the premium income is insufficient to cover, the retained earnings shall be written down. If a business combination forms a parent-subsidary relationship, the consolidated financial statements shall be prepared in accordance with the accounting policy on the "consolidated financial statements" formulated by the Company; the period subject to adjustment of the comparative data of the consolidated financial statements shall not be earlier than the later of the dates when the acquirer or the acquiree is under the control of the ultimate controller.
- (2) For the business combination not under common control occurred during the reporting period of the Company, the Company shall adopt the purchase method for accounting treatment. The consolidation cost will be determined according to the following conditions: ① For the business combination realized via single transaction, the combination cost is the fair value, on the acquisition date, of any assets acquired, any liabilities incurred or assumed, and any equity securities issued by the acquirer, in exchanges for the right of control over the acquiree. ② For business combination realized through multiple transactions and by stages, the Company will account for the equity of the acquiree held prior to the acquisition date respectively for individual financial statements and consolidated financial statements:
 - A. In individual financial statements, the initial investment cost should be accounted for under the cost method and recognized at the sum of the book value of equity investments originally held and newly increased investment costs. For other comprehensive income recognized from accounting of the equity investments held before acquisition date and under the equity method, accounting treatment should be made by using the same basis for the acquiree to directly dispose of the relevant assets or liabilities on disposal of such investment. The equity investments previously held before acquisition date will be accounted for in accordance with the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments and the accumulated changes in fair value originally recognized in other comprehensive income will be measured at cost method and transferred to the current profit and loss.

- B. In consolidated financial statements, the equity held from the acquiree before the acquisition date shall be re-measured at the fair value of such equity on the acquisition date, and the difference between the fair value and its book value shall be included in current investment income; should the equity held from the acquiree before the acquisition date involves other comprehensive income, other comprehensive income associated are transferred in current investment income where the equity belong to on the acquisition date. The Company discloses the fair value of equity held in the acquiree prior to the acquisition date on the acquisition date and related gains or losses arising from the re-measurement of the equity at the fair value.
- ③ The intermediary service charges, including audit, legal service, evaluation and consultancy fees and other relevant administrative expenses incurred for business combination shall be charged to current profit and loss when they are incurred. Transaction expenses incurred for issuance of equity or debt securities as consideration for business combination shall be included in the initial recognition amount of those equity securities or debt securities.
- ④ If the combination contract or agreement agrees any future events that are likely to affect the combination costs, and the future matters are likely to occur and the influence on the combination costs can be reliably measured on the acquisition date, they are also included in the combination costs.

The Company shall, on the acquisition date, measure the assets surrendered and liabilities incurred or assumed by the Company for a business combination at their fair values, and shall record the differences between their fair values and their book values into the current profit and loss.

The Company will distribute the combination cost on the acquisition date and recognize the acquiree's identifiable assets, liabilities or contingent liabilities as agreed.

① The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill.

② For the difference of the combination cost less than the share in the fair value of the identifiable net assets acquired from the acquiree, the measurement of the fair value of the identifiable net assets, liabilities and contingent liabilities acquired from the acquiree as well as the combination cost shall be firstly reviewed. If it is true after the review, the difference shall be included into current profit and loss. If a business combination gives rise to parent-subsidiary relation, the parent company shall have a memorandum book, recording the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries that are obtained from business combination on the acquisition date. When preparing the consolidated financial statements, the Company will adjust the financial statements of subsidiaries based on the fair values of various identifiable assets, liabilities and contingent liabilities recognized on the acquisition date according to the accounting policies on the consolidated financial statements formulated by the Company.

6. Preparation method of consolidated financial statements

Applicable Not applicable

(1) Consolidation scope

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all the subsidiaries as at June 30, 2016. A subsidiary refers to the entities under the control of the Company (including the divisible part of enterprises and investees, and structured entities controlled by the Company, etc.). Control means that the investor has the power over the investee and enjoys the variable return through participating in activities related to the investee, and has the ability to affect its return by using the power over the investee.

(2) Preparation method of the consolidated financial statements

The Company prepares the consolidated financial statements based on its own financial statements and those of its subsidiaries, and other relevant information.

When preparing the consolidated financial statements, the Company treats the enterprise group as a whole accounting entity, to reflect the overall financial position, operating results and cash flows in accordance with relevant recognition, measurement and presentation requirements of Accounting Standards for Business Enterprises and the uniform accounting policies.

When preparing the consolidated financial statements, where accounting policies and accounting periods adopted by subsidiaries are inconsistent with those of the Company, necessary adjustments should be made to the financial statements of subsidiaries according to the accounting policy and accounting period adopted by the Company. For the subsidiaries acquired from business combination not under common control, adjustments to their financial statements shall be made based on the fair values of identifiable net assets on the acquisition date.

(3) Presentation of minority interest and gains and losses

The share in owner's equity of subsidiary that is not attributable to the parent company will be recorded as minority interest and listed in the "minority interest" item under the owner's equity in the consolidated income statement.

The share attributable to minority shareholders in subsidiary's current net profit and loss will be listed under "profit and loss of minority shareholders" item in the consolidated income statement.

(4) Treatment of excess loss

If in the consolidated financial statements, the share of the current losses attributable to the minority shareholders of a subsidiary exceeds the share of the owners' equity attributable to minority shareholders of the subsidiary at the beginning of the period, the balance is allocated against the minority interest.

(5) Accounting treatment of increase of subsidiaries in the current period

During the reporting period, for additional subsidiaries due to business combinations under common control, the beginning balance of the consolidated balance sheet will be adjusted during the preparation of the consolidated balance sheet. For additional subsidiaries due to business combinations not under common control, the beginning balance of the consolidated balance sheet will not be adjusted during the preparation of the consolidated balance sheet. When preparing the consolidated balance sheet, the beginning balance of the consolidated balance sheet will not be adjusted for any disposal of subsidiaries during the reporting period.

During the reporting period, if the Company acquired subsidiaries due to the business combination under common control, the incomes, expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows. If the Company acquired subsidiaries from the business combination not under common control, the incomes, expenses and profits of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows. During the reporting period, where the Company disposes of a subsidiary, the

revenues, expenses and profits of the subsidiary from the beginning period to the disposal date shall be included in the consolidated income statement; the cash flows of the subsidiary from the beginning period to the disposal date will be included in the consolidated statement of cash flows.

When the Company loses the control over the subsidiaries due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal will be re-measured by the Company at its fair value on the date of loss of the control. The sum of the consideration of equity disposal and the fair value of the remaining equity, less the share of net assets of the subsidiary attributable to the Company calculated continuously since the acquisition date in accordance with the original shareholding ratio, shall be included in the investment income for the current period when the control is lost. Other comprehensive incomes associated with the equity investments of the original subsidiary, are transferred into the current investment income when control is lost.

The difference between the proceeds from partial disposal of equity investments in the subsidiary and the share of net assets of subsidiaries attributable to the Company (calculated from the acquisition date to the combination date) corresponding to the disposal of long-term equity investments without losing control, shall be charged against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.

(6) Consolidated statements for disposal of equities by stages until the loss of control

When the transactions are under a package deal of disposing of equity investment in a subsidiary result in loss of control, they are accounted for as a transaction of disposing subsidiary and losing control; however, the difference between the accumulated disposal considerations before loss of control and the Group's share of the net assets of the subsidiary is recognized as other comprehensive income in the consolidated financial statements, and is transferred into current profit and loss upon loss of control. Where various transactions do not belong to a package, before and upon the loss of the control, accounting treatment shall be made according to the accounting policies for disposal of partial equity investments in subsidiaries without losing control.

The terms, conditions and economic impact of the transactions related to disposal of its investment in the subsidiary meet one or more of the following circumstances, multiple transaction events are included into a package of transactions and subject to accounting treatment: ① these transactions are concluded simultaneously or after considering mutual impact; ② these transactions could, as a whole, contribute to a complete business result; ③ one transaction occurs dependent upon the occurrence of at least another transaction; ④ it is not economically sound to read one transaction alone, but the situation is completely different when considering other transactions together.

Disposal of equity in individual financial statements to the loss of control rights will be subject to accounting treatment according to the accounting policy for disposal of long-term equity investments.

7. Classification of joint venture arrangements and accounting treatment methods of joint operation

Applicable Not applicable

(1) Classification of joint venture arrangements

Joint venture arrangement refers to an arrangement jointly controlled by two or more participants. Joint venture arrangements of the Company are classified into joint operation and joint venture. Joint operation refers to those joint venture arrangements under which

relevant assets shall be enjoyed and liabilities shall be assumed by the parties to the joint venture. Joint venturer refers to joint venture arrangements under which the joint venturer is only entitled to the net assets.

Joint arrangements that have not been reached through separate entities are classified as joint operations. Separate entities refer to entities that have a separately identifiable financial structure, including separate legal entities and entities that do not qualify as legal entities but are legally recognized. The joint arrangements reached through separate entities are usually divided into joint ventures, but joint ventures that meet any of the following conditions and meet relevant laws and regulations with conclusive evidence shall be classified as joint operations: the legal form of the joint venture arrangement shows that the party to joint venture enjoys rights and assumes obligations for the relevant assets and liabilities in the arrangement. The terms of contract on the joint venture arrangement agree that the party to joint venture enjoys rights and assumes obligations for the relevant assets and liabilities in the arrangement; other relevant facts and circumstances indicate that the joint venturer enjoys rights and assumes obligations for the relevant assets and liabilities in the arrangement respectively; if the party to the joint venture enjoys almost all outputs related to the joint venture arrangement, and the liquidation of liabilities in the arrangement continues to depend on the support of the party to the joint venture. A party to the joint venture cannot be deemed as assuming the relevant liabilities of the arrangement by merely providing debt guarantees for the joint venture arrangement. A party to the joint venture cannot be deemed as assuming the relevant liabilities of the arrangement if it is obliged to make contribution to the joint venture arrangement. Where changes in relevant facts and circumstances lead to changes in the rights and obligations of the party to the joint venture in the joint venture arrangement, the Company will re-assess the classification of the joint venture arrangement. For a framework agreement that establishes for multiple joint venture arrangements for the completion of different activities, the Company determines the classification of each joint venture arrangement.

For details of the accounting policies on basis for determination of common control, and measurement of joint ventures, see “14. Long-term equity investments” in “V. Principal accounting policies and estimates”.

(2) Accounting methods of joint operations

The Company shall recognize the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises: assets it solely holds and its share of jointly-held assets based on its percentage; liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage; incomes from sale of output enjoyed by it from the joint operation; incomes from sale of output from the joint operation based on its percentage; separate costs and costs for the joint operation based on its percentage.

When the Company invests assets in or sells assets to the joint operation (except those constituting business), before such assets and others are sold by the joint operation to a third party, the Company shall only recognize the part in the profits and losses arising from such transaction attributable to other party to the joint operation. Where the assets invested or sold are impaired according to the Accounting Standards for Business Enterprises No. 8-Assets Impairment, the Company shall recognize all the losses. When the Company purchases assets and others from the joint operation (except those constituting business), before such assets and others are sold to a third party, the Company shall only recognize the part in the profits and losses arising from such transaction attributable to other party to the joint operation. Where the assets purchased are impaired according to the Accounting Standards for Business Enterprises No. 8-Assets Impairment, the Company shall recognize losses according to the share it assumes.

If the Company is a party that does not have joint control over joint operations and it enjoys the related assets of the joint operations and assumes the liabilities related thereto, accounting treatment shall be made in accordance with the above principles; otherwise, the accounting treatment shall be made based on the accounting policies on measurement of the financial instruments or long-term equity investments formulated by the Company.

8. Recognition criteria of cash and cash equivalents

The Company's cash and cash equivalents include the cash on hand, the deposits available for payment at any time and the short-term (generally maturing within three months from acquisition date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Foreign currency transactions and translation of foreign currency financial statements

Applicable Not applicable

10. Financial instruments

Applicable Not applicable

(1) Recognition method of fair value of financial assets and financial liabilities

The fair value of a financial instrument having an active market is determined on the basis of quoted prices in the active market. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques. At the time of valuation, the Company adopts the techniques that are applicable in the current situation and supported by enough available data and other information, selects the input values that are consistent with the features of assets or liabilities as considered by market participants in relevant asset or liability transactions, and gives priority to use relevant observable inputs as soon as possible. Unobservable inputs are used only under the circumstance when it is impossible or unobservable inputs to obtain relevant observable inputs.

(2) Classification, recognition and measurement of financial assets

The financial assets are sold and purchased in regular way, and their accounting recognition and derecognition will be conducted based on the accounting on the trading date. The interests related to assets and liabilities arising from trading and exchange begin to be accrued and confirmed after the transfer of ownership on the date of settlement. Financial assets shall be classified into financial assets measured at fair value through the current profit or loss, held-to-maturity investments, loans and receivables as well as available-for-sale financial assets when initial recognition is made. At initial recognition, financial assets are measured at fair value. For financial assets measured at fair value through profit or loss, the relevant transaction costs are directly included in the current profit or loss and those of other types of financial assets are included in the initial recognition amount.

① Financial assets measured at fair value through the current profit or loss

Include trading financial asset and financial asset designated to be measured at fair value through current profit and loss.

Financial assets held for trading refer to financial assets meeting one of the following conditions: A. The purpose of the financial assets acquired is primarily for sale in the near future; B. it belongs to the portfolio of identifiable financial instruments under centralized management, and there is an objective evidence that the Company has managed the portfolio in a short-term profiting manner recently; C. it belongs to derivative instrument; however, for a derivative instrument designated as effective hedging instruments, for a derivative instrument belonging to financial guarantee contracts, for an equity instrument investment that has no quoted price in an active

market and whose fair value cannot be reliably measured, and for derivative financial asset linked to the said equity instrument investment and settled by delivery of the same equity instrument, they shall be excluded.

Financial assets meeting one of the following conditions can, upon initial recognition, be designated to the financial assets measured at fair value through current profit or loss: A. such designation can eliminate or obviously reduce the inconsistencies in recognition and measurement of relevant profit or loss that are caused due to different measurement bases of financial asset; B. the Company's formal written document of risk management or investment strategies has clearly stated that the financial asset portfolio or the portfolio of financial assets and financial liabilities where the financial assets lies are managed, evaluated and reported to key management personnel based on the fair values; C. the hybrid instruments contains one or more embedded derivative instruments, unless there is no significant change to the cash flow of hybrid instruments, or the embedded derivative instrument obviously should not be split from the relevant hybrid instruments.

Financial assets measured at fair value with its changes recorded in current profit or loss is subsequently measured at fair value. Gains or losses from the change of fair value as well as dividends and interest expenses related to such financial liabilities are included in the current profit or loss.

② Held-to-maturity investments

Held-to-maturity investments refer to non-derivative financial assets with fixed date of maturity, fixed or determinable amount of recoverable amount and where the management has clear intention and is able to hold until the maturity. Held-to-maturity investments which have valid terms for over 12 months and will be expire within 12 months (inclusive) as of the balance sheet date are presented as the non-current assets maturing within one year; held-to-maturity investments with valid terms less than 12 months (inclusive) are presented as the other current assets.

Held-to-maturity investments shall be subsequently measured at amortized cost by using the effective interest method. Its gains or losses on derecognition, impairment or amortization are included in the current profit or loss.

Effective interest method is a method that calculates the amortized cost and income and expense of various interests as per the effective interest rate of whole financial assets or financial liabilities (including a group of financial assets and financial liabilities). Effective interest rate refers to the interest rate that is used to discount future cash flows of financial assets or financial liabilities in current book value of such financial assets or financial liabilities during expected existence period or applicable shorter period.

When calculating the effective interest rate, the Company will estimate future cash flows pursuant to all contractual terms of financial assets or financial liabilities (without considering future credit losses) and by also considering various charges, transaction costs and discounts or premiums that are paid, received by and between all contract parties and are an integral part of effective interest rate.

③ Loans and receivables

Receivables refer to non-derivative financial assets without quoted price in the active market and with fixed or determinable recovery amount. Financial assets classified by the Company into loans and receivables shall include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

Loans and receivables shall be subsequently measured at amortized cost by using the effective interest method. Its gains or losses on derecognition, impairment or amortization are included in the current profit or loss.

④ Available-for-sale financial assets

Available-for-sale financial assets are either the non-derivative financial assets designated for sale upon initial recognition or the other financial assets that are not classified in any of other categories. The sold available-for-sale-financial assets within 12 months as of the balance sheet date will be presented as other current assets in the balance sheet.

Available-for-sale financial assets are subsequently measured at fair value. The gains or losses arising from changes in the fair value, except that impairment losses and exchange differences associated with foreign currency financial assets and amortized costs are included in the current profit or loss, are recognized as other comprehensive income which is transferred in derecognition of financial assets and included in the current profit or loss. Available-for-sale equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured shall be measured at cost.

Interest acquired during the period of holding the available-for-sale financial assets and cash dividends declared and distributed by the investee should be included in investment income.

(3) Impairment of financial assets

Except for the financial assets measured at fair values with its changes recorded into current profit and loss, the book value of other financial assets on every balance sheet date should be checked. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

Objective evidence indicating that any financial asset has impaired refers to matters occurred after initial recognition of such financial assets. These matters may have impact in the future cash flows of such financial assets, but the Company is able to measure the impact reliably.

The Company will carry out impairment test on financial assets with individually significant amount separately; carry out impairment test on financial assets with individually insignificant amount separately or include it in financial assets portfolio with similar credit risk characteristics for an impairment test. Financial assets without impairment upon the separate test (including individual financial assets with significant and insignificant amount) shall be included in financial assets portfolio which similar credit risk characteristics to conduct the impairment test again. For financial assets with impairment loss recognized on single item, it shall not be included in the financial assets portfolio with similar credit risk characteristics for an impairment test.

① Impairment of held-to-maturity investments, loans and receivables

Financial assets measured at cost or amortized cost has its book value written down to present value of estimated future cash flows, and the written-down amount is recognized as the impairment loss and recorded in the current profit or loss. After impairment loss is recognized on the financial assets, if there is an objective evidence that the financial assets have been recovered and are objectively related to an event occurred after recognition of the loss, the originally-recognized impairment loss shall be reversed, and the book value of the financial assets with impairment loss reversed does not exceed amortized cost of the financial assets on the reversal date under the assumption that no provision for impairment is made.

② Impairment of available-for-sale financial assets

Objective evidence showing that an equity instrument investment is impaired includes a significant or prolong decline in the fair value of the equity instrument investment. The Company checked the available-for-sale equity instrument investments on balance sheet

date on an individual basis. If the fair value of equity instrument investments on balance sheet date is less than its initial investment cost by over 50% (inclusive) or the initial investment cost for more than one year (inclusive), it indicates that the impairment has occurred; if the fair value of equity instruments investments on the balance sheet date is more than 20% (inclusive) but less than 50% of its initial investment cost, the Company will, through comprehensively considering other relevant factors such as price volatility, determine whether the equity instrument investment has impaired. The Company measures the initial investment cost of available-for-sale equity instruments at weighted average method.

If available-for-sale financial assets measured at fair value have impaired, the accumulated losses that are formed by the decreases in fair values and those originally and directly included in owner's equity shall be all transferred out and recorded in impairment loss. For available-for-sale debt instrument investments for which impairment loss is recognized, if their fair value increase thereafter and the increases are due to any event after recognition of impairment loss, the originally recognized impairment loss will be reversed and included in the current profit or loss. For available-for-sale equity instrument investments for which impairment losses have been recognized, the subsequent increase in fair value shall be directly included into shareholders' equity.

Where there is impairment in an available-for-sale financial asset at cost, the difference between its book value and the present value determined through the discount of the current market yield for similar financial assets to future cash flow should be recognized as impairment loss, and included in the current profit or loss. The impairment loss occurred will not be reversed in the subsequent periods.

(4) Recognition basis and measurement method of financial assets transfer

Financial assets that fall under any of the following conditions shall be derecognized: ① where the contractual rights for collecting the cash flow of the said financial asset are terminated; ② the financial asset has been transferred and nearly all the risks and rewards associated with the ownership of the financial asset have been transferred to the transferee; ③ the financial asset has been transferred and the Company has neither transferred nor retained nearly all the risks and rewards associated with the ownership of the financial asset but waives the control over the financial asset.

Where the Company has neither transferred nor retained nearly all the risks and rewards associated with the ownership of the financial asset and does not waive the control over the financial assets, the Company recognizes the relevant financial assets and liabilities in accordance with the extent of its continuous involvement in the transferred financial assets. The term "continuous involvement in the transferred financial assets" refers to the risk level that the enterprise faces due to the change of the value of the financial assets.

If the entire transfer of financial assets satisfies the criteria for de-recognition, the book value of the transferred financial assets and the sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally included in other comprehensive income should be included in the current profit and loss.

If the partial transfer of financial asset satisfies the criteria for derecognition, the book value of all the transferred financial asset shall be split into the derecognized part and recognized part according to their respective fair value and the difference between the sum of the consideration received from the transfer and the accumulated amount of the changes in fair value that should be amortized into the derecognized part and that are originally included in other comprehensive income should be included in the current profit or loss.

(5) Classification and measurement of financial liabilities

Financial liabilities are classified into financial liabilities measured at fair value through current profit or loss and other financial liabilities at initial recognition. At initial recognition, financial liabilities are measured at fair value. For financial liabilities measured at fair value through the current profit or loss, the relevant transaction costs are directly included in the current profit or loss; for other financial liabilities, the relevant transaction costs are included in the initial recognition amount.

① Financial liabilities measured at fair value through current profit or loss

The conditions for financial liabilities held for trading and the financial liabilities designated to be measured at fair value through the current profit or loss on initial recognition are consistent with that for financial assets held for trading and the financial assets designated to be measured at fair value through the current profit or loss on initial recognition.

Financial liabilities measured at fair value through current profit or loss are subsequently measured at fair value and gains or losses from the change of fair value as well as dividends and interest expenses related to such financial liabilities are included in the current profit and loss.

② Other financial liabilities

As for derivative financial liabilities linked up with equity instrument whose fair value cannot be reliably measured and that has no quoted price in the active market, and settlement thereof must be done via the delivery of such equity instrument, the subsequent measurement shall be done at cost method. Other financial liabilities shall be subsequently measured at amortized cost by using the effective interest method. Its gains or losses on derecognition or amortization are included in the current profit or loss.

(6) Derecognition of financial liabilities

When the present obligations of a financial liability are relieved in all or in part, the financial liability or a part thereof should be derecognized correspondingly. Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by undertaking the new financial liability, and the new financial liability and the existing financial liability are substantially different in terms of the agreement clauses, the existing financial liability will be derecognized, and the new financial liability will be recognized at the same time.

Where financial liabilities are derecognized in whole or in part, the differences between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities borne) will be included into current profit or loss.

(7) Offset of financial assets and financial liabilities

When the Company has the legal right to offset the recognized financial assets and financial liabilities and may currently enforce the legal right, while the Company plans to net or realize the financial assets and the financial liabilities simultaneously, the amount mutually offset between the financial assets and the financial liabilities should be presented in the balance sheet. In addition, financial assets and financial liabilities are separately presented in the balance sheet without mutual offset.

(8) Equity instruments

Equity instruments refer to a contract that could prove the ownership of remaining equity of the Company's assets after deduction of all liabilities. Equity instruments will be included into owners' equity after deducting transaction costs from the consideration received by the Company for issue.

The Company's various distributions (excluding stock dividends) made to the equity instruments holders set off owners' equity. The issue (refinance), repurchases, sells or cancels equity instruments as a handling of changes in equity will not be recognized as changes in fair value of equity instruments. The consideration and transaction costs paid by the Company for repurchase of own equity instruments (including treasury stocks) sets off owner's equity and they will not be recognized as financial assets.

11. Receivables

(1) Receivables with individually significant amount and individual provision for bad debts

Applicable Not applicable

Judgment basis or amount standards for individually significant amount	With an individual amount of more than RMB 0.5 million.
Provision method for receivables with individually significant amount and individual provision for bad debts	The Company conducts separate impairment test for receivables with individually significant amount, and makes provision for bad debts at the balance between the present value of expected future cash flows less than the book value. If separate test indicates that there is no impairment of receivables, they shall be included in the receivables portfolio with similar credit risk characteristics for an impairment test. If separate test indicates that there is impairment of receivables, they shall not be included the receivables portfolio with similar risk credit characteristics for an impairment test.

(2) Receivables with provision for bad debts accrued on a credit risk characteristics basis:

Applicable Not applicable

Method for the provision for bad debts made by portfolio with the credit risk characteristics (aging analysis method, balance percentage method and other methods)	
Government subsidy portfolio	No provision for bad debts will be made for those without impairment loss after independent test; otherwise, the impairment loss will be recognized at the difference between the recoverable amount and the book balance.
Portfolio of accounts between related parties	No provision for bad debts will be made for those without impairment loss after independent test; if independent test shows any signs of impairment, the impairment loss will be recognized at the difference between the recoverable amount and the book balance.
Aging portfolio	Aging analysis method will be used for impairment test

Provision for bad debts under the aging analysis method in the portfolio:

Applicable Not applicable

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5	5
Including: by item within one year; rows can be added		
1-2 years	10	10
2-3 years	20	20
Over 3 years		
3-4 years	50	50
4-5 years	80	80
Over 5 years	100	100

Provision for bad debts under the balance percentage method in the portfolio:

Applicable Not applicable

Provision for bad debts under other methods in the portfolio:

Applicable Not applicable

Portfolio name	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Government subsidy portfolio	0	0
Portfolio of accounts between related parties	0	0

(3) Accounts receivable with insignificant single amount but individual provision for bad debts:

Applicable Not applicable

Reasons for separate provision of allowance for bad debts	The Company carries out individual impairment test on the receivables without individual significant amount but with objective evidence of failure to be recovered as per the original terms.
Methods of provision for bad debts	If there is any objective evidence proving impairment, the impairment loss will be made at the lower of the present value of the expected future cash flow and the book value thereof and provision for bad debts will be made based thereon.

12. Inventories

Applicable Not applicable

(1) Classification of inventories:

Inventories mainly include door-to-door installation costs, raw materials, stocked goods, turnover materials and others.

(2) Evaluation methods of acquisition and dispatching inventories

Inventories are measured at actual costs on acquisition. Such costs consist of purchase costs, processing costs and other costs. Inventories are measured at weighted average method when applied for use or dispatched.

(3) Recognition of the net realizable value of inventories and method for depreciation provision

The net realizable values of inventories refer to the amounts of the estimated selling prices of inventories minus the estimated costs to completion, estimated selling expenses and relevant taxes and surcharges. The Company shall determine the net realizable value of inventories on the ground of reliable evidence obtained, taking into consideration of the purpose for holding inventories and the effects of events occurring after the date of the balance sheet.

On the balance sheet date, the inventories shall be valued at the lower of their costs or net realizable values. If the net realizable value of an inventory is less than its cost, inventory depreciation reserve shall be provided. Provision for depreciation of inventory is generally made at the excess of cost of the inventory over its net realizable value by categories.

After the provisions for the inventory depreciation are made, the factors causing any write-down of inventory value have disappeared, leading to the net realizable values of inventories higher than its book value, the amount of write-down shall be resumed and be reversed from the original provision for inventory devaluation with the reversal being included in the current profit and loss.

(4) Inventory system of inventories is perpetual inventory system.

(5) Amortization method of low-cost consumables and packing materials.

Low-cost consumables and packaging materials are amortized at the one-off write-off method when fetched for use.

13. Assets held for sale

Applicable Not applicable

(1) Recognition criteria of assets held for sale

If the Company mainly recovers the book value by selling (including non-monetary asset exchange with commercial nature, the same below) instead of continuing to use a non-current asset or disposal group, it will classify them as held for sale. Non-current assets or disposal group classified as held for sale shall meet the following conditions at the same time:

- ① According to the general practice for selling such kind of asset or disposal group in the similar transaction, it can be immediately sold in the prevailing circumstance;
- ② The sale of the asset or group is very likely to happen, which means that the Company has made a resolution for one selling plan and had acquired decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained. The confirmed purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties. The agreement contains important terms such as transaction price, time, and severe penalties for breach of contract, making it highly unlikely to make major adjustments or cancellations thereof.

For non-current assets or disposal groups specifically obtained by the Company for re-sale that meet the stipulated conditions of “expected sales to be completed within one year” on the acquisition date, and is likely to satisfy other classification conditions of the category held for sale within a short period (usually 3 months), they are classified as held for sale on the acquisition date.

Disposal group refers to a group of assets that are disposed of together as a whole through sales or other means in a transaction, and the liabilities directly related to these assets transferred in the transaction. If the asset group or combination of asset groups to which the

disposal group belongs allocates the goodwill obtained in the business combination in accordance with the Accounting Standards for Business Enterprises No. 8-Asset Impairment, the disposal group shall include the goodwill allocated to the disposal group.

(2) Accounting treatment of assets held for sale

For the non-current assets and disposal group classified as held for sale, they are initially measured or re-measured at the lower of the book value and the net amount of the fair value less the disposal expenses. If the net amount after the fair value minus the disposal expenses is lower than the original book value, the difference will be recognized as asset impairment losses and be included in current profit and loss, and provision for the impairment of the held-for-sale assets shall be made; for the asset impairment losses recognized for disposal group held for sale, firstly set off against the book value of the goodwill in the disposal group, and then the book value in proportion based on ratios of book value of various non-current assets subject to measurement of the held-for-sale category in the disposal group. If the net amount of the fair value of non-current assets held for sale on the balance sheet date less the disposal expenses increases, the amount of previous write-down will be reversed, and the asset impairment losses recognized after being classified as held for sale is reversed and included in current profit or loss. Asset impairment losses recognized prior to classification as held for sale are not reversed. If the net amount of the fair value of disposal group held for sale on the balance sheet date less the disposal expenses increases, the amount of previous write-down will be reversed to the extent of the asset impairment losses of non-current assets subject to measurement of those held for sale recognized after being classified as held for sale is reversed and included in current profit or loss. Book value of goodwill deducted and asset impairment losses of non-current assets subject to measurement of those held for sale recognized prior to classification as held for sale are not reversed. For the reversed asset impairment losses recognized for disposal group held for sale, the book value will be increased in proportion based on ratios of book value of various non-current assets subject to measurement of the held-for-sale category in the disposal group with the exception of goodwill. Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale continue to be recognized.

Deferred income tax assets, financial assets regulated by Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, investment property and biological assets measured at fair value, contractual rights generated in insurance contracts, and assets from employee benefits will not be subject to the measurement method of the category held for sale, but they are measured according to the relevant standards or the corresponding accounting policies formulated by the Company. If the disposal group contains non-current assets that apply the measurement method of the held-for-sale category, the measurement method for those held for sale shall apply to the entire disposal group. The measurement of liabilities in the disposal group shall be subject to the relevant accounting standards.

When a non-current asset or disposal group ceases to be classified as a held-for-sale category or non-current asset as it no longer meets the classification criteria and is removed from the disposal group held for sale, measurement shall be made at the lower of: ① The amount after the adjustment of depreciation, amortization or impairment that should be recognized on the assumption that book value before they are classified as held for sale assets fails to be classified as held for sale assets; ② recoverable amount.

14. Long-term equity investments

Applicable Not applicable

Long-term equity investments include the equity investments in subsidiaries, joint ventures and associates.

(1) Initial measurement

The Company conducts initial measurement of long-term equity investments based on the following two circumstances respectively:

① For long-term equity investments acquired from business combination, their initial investment costs shall be determined in accordance with the following provisions:

A. For business combination under common control, if the acquirer makes payment in cash, transfers non-cash assets or bears debts as the consideration for the business combination, the share in book value of the owners' equity of the acquiree obtained in the consolidated financial statements of the ultimate controller is recognized as the initial cost of the long-term equity investment on the combination date. Capital reserves should be adjusted according to the difference between the initial investment cost of long-term equity investment and the book value of the paid cash, the non-cash assets transferred and the debts assumed; in case the capital reserves are not enough, the retained earnings need to be adjusted. The auditing, assessment, legal services and other directly related expenses for business combination will be included into current profit and loss upon occurrence.

If the Company pays a consideration by issuing equity securities, the share of book value of its owners' equity in the combinee in the consolidated financial statements of the ultimate controlling party shall be regarded, on the merger date, as the initial investment cost of the long-term equity investment. The capital reserve is adjusted according to the difference between the initial investment cost of the long-term equity investment and the total amount of the equity issued, with the total amount of the equity issued as the capital stock; and if the capital reserve is insufficient to be offset, retained earnings shall be adjusted. The handling charges, commissions and other expenses for the issuance of equity securities for the combination offset premium income of the equity securities; if the premium income is insufficient to cover, the retained earnings shall be wrote down.

B. In a business combination not under common control, the Company determines the combination cost according to the following circumstances:

a) for the business combination realized via single transaction, the combination cost is the fair value, on the acquisition date, of any assets acquired, any liabilities incurred or assumed, and any equity securities issued by the acquirer, in exchanges for the right of control over the acquiree;

b) for business combination realized through multiple transactions and by stages, the sum of the book values of equity investment held by the acquirer before the combination date and the newly increased investment on the combination date are recognized as the initial cost of such investment;

c) The intermediary service charges, including audit, legal service, evaluation and consultancy fees and other relevant administrative expenses incurred for business combination shall be charged to current profit and loss when they are incurred. Transaction expenses incurred for issuance of equity or debt securities as consideration for business combination shall be included in the initial recognition amount of those equity securities or debt securities;

d) Provided that the combination contract or agreement stipulates any future events that are likely to affect the combination costs, such future matter are also included in the combination costs, if the future matters are likely to occur and the influence on the combination costs can be reliably measured on the acquisition date.

- ② For long-term equity investments acquired through methods other than business combination, their initial investment costs shall be determined in accordance with the following provisions:
- A. For long-term equity investments acquired from making payments in cash, the initial cost is the actually paid purchase cost. Initial investment cost includes expenses, taxes and other necessary expenses that are directly related to the acquisition of long-term equity investments.
 - B. For long-term equity investments acquired from issuance of equity securities, the initial investment cost is the fair value of the issued equity securities. However, it does not include cash dividends or profits that have been declared but not yet paid by the investee. Transaction costs incurred from issuance and acquisition of its own equity instruments that may be directly attributable to the equity transaction will be deducted from equity.
 - C. The initial investment cost of a long-term equity investments acquired by exchange of non-monetary assets shall be determined in accordance with the provisions in the Accounting Standards for Business Enterprises No. 7-Exchange of Non-monetary Assets.
 - D. For a long-term equity investment acquired from debt restructuring, the initial investment cost is determined based on the Accounting Standards for Business Enterprises No. 12-Debt Restructuring.
- ③ Regardless of the way in which the long-term equity investment is obtained, when the investment is obtained, the cash dividends or profits in the investee that have been declared but not yet paid included in the consideration paid shall be accounted for separately as accounts receivable, and do not constitute the initial investment cost of long-term equity investments obtained.

(2) Subsequent measurement

The long-term equity investment where the Company could control the investee shall be accounted in individual financial statements of the Company under the cost method. Long-term equity investments that have joint control over or significant influence on the investees are accounted for with the equity method.

- ① Under the cost method, long-term equity investment is valued at initial investment cost. The Company shall increase or recover the investment to adjust the cost of long-term equity investments. Cash dividends or profits declared and distributed by the investee should be recognized as investment income in the current period.
- ② For long-term equity investments measured under the equity method, if the initial investment costs are higher than the share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs; if the initial investment costs are lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss and at the same time the adjustment will be made to the costs of the long-term equity investments.

Upon acquisition of long-term equity investments, the Company respectively recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee that should be enjoyed or assumed by the Company, and adjusts the book value of long-term equity investment; according to the profit declared to be distributed by the investee or the part shall be enjoyed cash dividends calculation, to reduce the book value of long-term equity

investment correspondingly; for other changes in owners' equity excepting for ex all profit or loss of the investee, other comprehensive income and profit distribution, the book value of long-term equity investment shall be adjusted and included in the owners' equity. When recognizing the share of net profit or loss of the investee that the Company shall enjoy or bear, the Company should confirm such share after adjusting the investee's net profit based on fair value of various identifiable assets of the investee while acquiring the investment. If accounting policies and accounting periods adopted by the investee are inconsistent with those of the Company, the financial statements of the investee should be adjusted according to the accounting policies and accounting periods of the Company and investment income and other comprehensive income etc. should be recognized on such basis. Recognition of the net loss in the investee shall be within the limit that the book value of long-term equity investments and other long-term interests which substantially form the net investment in the investee are reduced to zero, unless the Company is obliged to bear extraneous losses. Where the investee realizes net profit later, the Company shall restore the income shared after making up for unrecognized losses undertaken by such income.

When the Company calculates and recognizes the net profit or loss of the investee that should be enjoyed or shared, the profit or loss from the internal transactions that are not realized between the Company and associates or joint ventures will be offset at the part attributable to the Company at the proportion that should be enjoyed and the investment income will be recognized on that basis. Unrealized internal transaction loss incurred between the Company and the investee shall be recognized in full amount if such loss belongs to the asset impairment.

- ③ For disposal of long-term equity investments, the difference between the book value and the actual price shall be included into current profit or loss. Where a long-term equity investment is accounted for under the equity method, accounting treatment should be made on the part which is originally included in other comprehensive income according to corresponding ratio by using the same basis for the investee to directly dispose of the relevant assets or liabilities when the investments are disposed of.
- ④ If the Company loses the control over the investee but it can maintain common control or exert significant impact due to the decrease of the Company's shareholdings as a result of the additional investment made by other investors in the subsidiaries, in the preparation of separate financial statements, the long-term equity investments shall be accounted for by using the equity method, rather than the cost method. First of all, the Company recognizes its share in the net assets due to capital increase in accordance with the new shareholding ratio and the difference between the original book value of the long-term equity investment corresponding to the decline of shareholding ratio that shall be carried forward is included in current profit and loss; then, according to the new shareholding ratio, the equity method is adopted for adjustment when the investment is acquired.

(3) Determination basis for common control or significant influence over the investee

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Related activities refer to those that have significant influence over the return of some arrangements. Significant influence refers to the power of the investor to participate in making decisions on the financial and operating policies of the investee, but not the power to control, or jointly control, the formulation of such policies with other parties.

(4) Impairment test method and impairment provision method

See “22. Long-term asset impairment” of “V. Principal accounting policies and estimates” in this section for impairment test method and provision method of long-term equity investments.

15. Investment properties

N/A

16. Fixed assets

(1) Recognition condition

Applicable Not applicable

Fixed assets are tangible assets that are held for use in the production of goods or supply of services, for rental to others, or for administrative purposes and have useful life of more than one accounting year.

(2) Depreciation method

Applicable Not applicable

Type	Depreciation method	Depreciation life (year)	Residual value rate	Annual depreciation rate
Buildings and constructions	Straight-line method	8-35	5	2.71-11.88
Network equipment	Straight-line method	20	5	4.75
Mechanical equipment	Straight-line method	8-15	5	6.33-11.88
Electronic equipment	Straight-line method	5	5	19.00
Transportation equipment	Straight-line method	8-10	5	9.50-11.88
Other equipment	Straight-line method	5	5	19.00

(3) Determination basis, valuation method and depreciation method of fixed assets acquired under financing leases

Applicable Not applicable

Lease under which all the risks and rewards related to the ownership of assets are materially transferred is recognized as financing lease, the ownership of such lease may or may not be ultimately transferred. The fixed assets acquired under financing leases adopt the same depreciation policies for the provision for the depreciation of leased assets as those of its own fixed assets. If it can be reasonably certain that the Company can obtain ownership of the leased asset at the expiry of the lease term, the leased assets are depreciated over the useful life; if not, the leased assets are depreciated at the shorter of the lease term and the use life of the leased assets.

17. Construction in progress

Applicable Not applicable

The Company recognizes the cost of the construction in progress at the actually incurred expenditures, including all types of expenditures incurred during the construction period, the capitalized borrowing costs incurred prior to the time when the construction is brought to the expected conditions for use and other relevant costs. The construction in progress is carried over to fixed assets after it reaches the expected conditions for use.

See “22. Long-term asset impairment” of “V. Principal accounting policies and estimates” in this section for impairment test method and provision method of construction in progress.

18. Borrowing costs

Applicable Not applicable

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, auxiliary expenses, exchange difference on foreign currency borrowings, etc. Borrowing costs that are directly attributable to the acquisition, construction or production of assets eligible for capitalization may be capitalized when asset disbursements have already been incurred, borrowing costs have already been incurred and the acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started; capitalization should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Other borrowing costs are recognized as current expenses as incurred.

Interest expenses of special borrowings actually incurred in the current year less the interest income from undrawn borrowings deposited in the bank or investment income from temporary investment should be capitalized; as for general borrowings, the capitalization amount should be recognized by the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings multiplying by the capitalization rate of used general borrowings. The capitalization rate is calculated and recognized at the average weighted interest rate of general borrowings.

During the period of capitalization, exchange differences incurred from special foreign currency borrowings should be capitalized; exchange differences from general foreign currency borrowings should be included in the current profit or loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended until the restart of the acquisition and construction or production activities of the assets.

19. Biological assets

Applicable Not applicable

20. Oil and gas assets

Applicable Not applicable

21. Intangible assets

(1) Valuation methods, useful lives and impairment test

Applicable Not applicable

(i) Intangible assets

“Intangible assets” refers to the identifiable non-monetary assets which have no physical shape and are possessed or controlled by the Company.

Intangible assets should be initially measured at cost. The expenses related to intangible assets, if the relevant economic benefits are likely to flow into the Company and its cost can be measured reliably, should be recorded in the cost of intangible assets. The expenses except for those mentioned above are included in the current profit and loss upon occurrence.

The land use rights acquired by the Company are usually accounted as intangible assets. For the plants and other buildings developed and constructed by the Company, expenses on relevant land use rights and constructions shall be respectively accounted as intangible assets and fixed assets. For externally purchased houses and buildings, the related payments are distributed in the land use right and buildings; those difficult to be distributed shall be all handled as fixed assets.

The accumulative amount of the original value of intangible assets less expected net salvage value and provision for impairment made is amortized during the expected useful lives with the straight-line method. Intangible assets with indefinite service life will not be amortized.

The Company checks estimated useful lives and amortization method of intangible assets with limited useful lives at the end of each year. Any change should be handled as changes in accounting estimates. In addition, the useful lives of intangible assets with indefinite useful life should be reviewed. If there is evidence that the period that intangible asset can bring economic benefits to the Company is predictable, then the useful life shall be estimated and amortized according to amortization policies of intangible assets with finite useful life.

(ii) Testing and provision methods for impairment of intangible assets

See “22. Long-term asset impairment” of “V. Principal accounting policies and estimates” in this section for impairment test method and provision method of intangible assets.

(2) Accounting policies on internal research and development expenditures

Applicable Not applicable

22. Long-term assets impairment

Applicable Not applicable

For fixed assets, construction in progress, intangible assets with limited useful life, long-term equity investments and non-current non-financial assets in subsidiaries, joint ventures and associates, the Company will judge whether there is any indication of impairment on the balance sheet date. If there is any indication that the assets may be impaired, the Company will estimate the recoverable amount and carry out an impairment test. Impairment tests for intangible assets with uncertain useful lives and intangible assets not reaching serviceable condition shall be conducted every year whether they have signs of impairment or not.

If the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made and included in impairment loss. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. Provision for assets impairment is made on an individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset

group that the individual asset belongs to. The asset group is the minimum asset group that can independently generate the cash inflow.

The said impairment loss from assets shall not be reversed in subsequent accounting periods once recognized.

23. Long-term deferred expenses

Applicable Not applicable

Long-term deferred expenses, including all kinds of expenses for improvement of operational leased fixed assets and those accrued and amortized over a period of more than a year, are averagely amortized during the expected benefit period in installments and presented as the net value of actual expenditures less the accumulated amortizations.

The Company's long-term deferred expenses mainly include the courtyard network cost that has occurred but should be paid by in the current year and subsequent periods, and the structures built on the leased land, and amortized on a straight-line basis according to the expected useful life of the Company's similar assets.

24. Employee benefits

(1) Short-term employee benefits

Applicable Not applicable

Short-term employee benefits include wages or salaries, bonus, allowances and grants, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term compensated absences, non-monetary benefits, etc. Employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

(2) Post-employment benefits

Applicable Not applicable

The Company classifies post-employment benefit plans as defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions to a separate fund and will have no obligation to pay further contributions. During the reporting period, the Company's post-employment benefits are basic pensions.

The employees of the Company participate in the basic social pension insurance organized and implemented by local labor and social security authorities. Such post-employment benefits are defined contribution plans. The Company makes monthly pension contributions for its employees to local basic social pension authorities based on the basic social pension contribution base and percentage required by local authorities. When the employees retire, local labor and social security authorities have an obligation to pay the entire basic social pensions. When an employee has rendered service to the Company during the accounting period, the Company recognizes the payable amount calculated based on the above-mentioned provisions of social insurance as liabilities, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(3) Dismissal benefits

 Applicable Not applicable

The Company makes compensation to employees when terminating employment contracts with them prior to the expiry of such contracts or in order to encourage employees to accept its personnel cutting policy. The Company recognizes the liabilities incurred arising from the compensation to employees due to termination of employment contracts with them on the earlier of when it is unable to withdraw its employment termination plan or personnel cutting suggestions at its discretion or when the costs relating to the reorganization concerned in the payment of dismissal benefits are recognized, with a corresponding charge to the profit or loss of the current period.

Early retirement benefits: The Company provides early retirement benefits for the employees who accept early retirement arrangement. Early retirement benefits mean the wages or salaries paid to and social pension contributions made for the employees who have not reached the age of retirement specified by the State and who agree to retire from their posts under the approval of the management of the Company. The Company pays early retirement benefits to such employees starting from the date when early retirement arrangement is started till they reach the normal age of retirement. The Company makes accounting treatment by reference to dismissal benefits. When such benefits satisfy the conditions for recognition of dismissal benefits, the Company will recognize the wages or salaries paid to and social insurance contributions to early retirement employees from the date when employees stop the rendering of services till the normal retirement date as liabilities, with a corresponding charge to the profit or loss of the current period at one time. The difference arising from the changes in the actuarial assumptions and adjustment of welfare standards is recorded in the profit or loss of the current period.

The dismissal benefits expected to be paid within one year of the balance sheet date as current liabilities.

(4) Other long-term employee benefits

 Applicable Not applicable**25. Estimated liabilities** Applicable Not applicable

A contingency related obligation is recognized as estimated liabilities if the following conditions are met at the same time: (1) the obligation is a present obligation of the Company; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be reliably measured.

The measurement of estimated liabilities is based on the best estimate of the outflow of present obligation by considering relevant risks, uncertainties, time value of money and other contingencies at the balance sheet date.

If all or part of the estimated liabilities to be repaid is reimbursement by any third party, the amount of such reimbursement is separately recognized as assets when it is virtually certain that the amount can be received. The amount will not exceed the book value of the estimated liabilities.

26. Share-based payments Applicable Not applicable

(1) Types of share-based payments

Share-based payments are the authorisation of equity instruments in order to receive the services tendered by employees or other parties or the transaction of liabilities based on equity investments. Share-based payments can be made by equity or cash.

① Made by equity

The share-based payments in order to receive the services tendered by employees are measured at fair value on the date of authorising equity instruments to employees. If the relevant rights can be exercised when the service within the pending period is completed or the performance conditions are met, the best estimate of the equity instruments with exercisable rights will be calculated using the straight-line method and recorded in the relevant costs or fees; if the rights can be exercised immediately upon the authorisation, the amount will be recorded at the relevant costs or fees on the authorisation date and the relevant capital reserves will be increased.

The share-based payments made by equity for the purpose of receiving the services rendered by other parties are measured at the fair value of the services on the date of receiving if such fair value can be reliably measured; and measured at the fair value of the equity instruments on the date of receipt, recorded at the relevant costs or fees and owners' equity is increased if the fair value of the services rendered by other parties cannot be reliably measured but that of equity instruments can be.

② Made by cash

The share-based payments made by cash are measured at the fair value of liabilities that are assumed by the Company and determined based on shares or other equity instruments. If the relevant rights can be immediately exercised upon authorisation, such payments are recorded in relevant costs or fees on the authorisation date and relevant liabilities are increased; if the relevant rights can be exercised when the service within the pending period is completed or performance conditions are met, such payments are recorded at the relevant costs or fees on the date of receipt for the current period based on the best estimate of the exercisable rights and the amount of the fair value for the liabilities assumed by the Company.

On each balance sheet date and settlement date before clearing relevant liabilities, the fair value of liabilities are re-measured and their changes are recorded in the profit or loss for the current period.

(2) Determination of fair value for equity instruments

For the share and equity pricing model authorised by the Company, see “XIII Share-based Payments” of this Section for details.

(3) Basis for recognizing the best estimate of equity instruments with rights exercisable

On each balance sheet date within the pending period, the best estimate is made according to the subsequent information recently obtained, including changes in the number of employees with rights exercisable and the number of equity instruments with estimated exercisable rights is modified.

(4) Implementation, modification and termination of share-based payment plan

If the Company increases the fair value of the equity instruments authorised when modifying the share-based payment plan, the Company recognizes the increase in the services received based on the increased fair value of the equity instruments. The increased fair value of equity instruments mean the difference between the fair value of equity instruments before and upon modification. If the total fair value of share-based payments is reduced or any other

means that does not favor employees is adopted, the services received continue to be subject to accounting treatment as if such change has never happened, unless the Company cancels any or part of the authorised equity instruments.

If the authorised equity instruments are cancelled during the pending period, the Company accelerates the exercise of rights on the equity instruments cancelled, immediately record the amount to be recognized in the remaining pending period in the profit or loss for the current period and recognize capital reserves at the same time. If employees or other parties are able to select the conditions for non-exercisable rights but failure to do so during the pending period, the Company regards them as equity instruments for cancellation.

27. Preference shares, perpetual bonds and other financial instruments

Applicable Not applicable

28. Revenues

Applicable Not applicable

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Company's activities. Revenue is presented net of discounts and returns.

(1) Revenue from sale of goods

The revenue is recognized when major risks and remunerations on the ownership of goods are transferred to the Buyer; neither the right of management that is generally associated with ownership is retained nor the goods sold is not effectively controlled; the related revenue can be reliably measured; the economic benefits associated with the transaction will probably flow to the Company; and the costs incurred or to be incurred can be reliably measured.

Natural gas sales cover natural gas retails and natural gas supply transfer (wholesale). For natural gas retails, the revenue is recognized according to the volume of natural gas actually used by each user while the following conditions are met at the same time: A. the natural gas has been used by or delivered to the user; B. the economic benefits associated with the transaction will probably flow to the Company; C. the costs incurred or to be incurred can be reliably measured. For the natural gas with supply transferred, after it arrives at the delivery point specified by both Parties in accordance with the sales contract, the risks and remunerations corresponding to natural gas are transferred to the user and the realization of income is recognized.

Recognition of fuel gas volume sold: A. for a natural gas metering user (civil, commercial, public welfare, industry, boiler, etc.), the revenue is recognized according to the actual metering quantity, and the gas consumption between the previous metering date and the date of financial statement is recognized according to the average gas consumption of the user on the previous metering date and the days of the financial statement date from the metering date. For non-metering users, mainly residents, the actual gas consumption of the non-metering users is calculated according to the average gas consumption of the previous metering date in the region (community) and the number of non-metering households. B. vehicle natural gas sales business is recognized according to the volume of charged gas displayed on the gas dispenser.

(2) Revenue from rendering of services

① While the result of service rendering can be reliably estimated, the revenue arising from rendering of services is recognized according to the completion percentage method at the

balance sheet date. The progress of labor transactions completed is determined according to the percentage of labor costs incurred over the total estimated costs.

The result of service rendering can be reliably estimated when: ① the amount of revenue can be reliably measured; ② the economic benefits associated with the transaction will probably flow to the Company; ③ the degree to which the transaction is completed can be reliably measured; and ④ the costs incurred or to be incurred can be reliably measured.

If the result of service rendering cannot be reliably estimated, the income from rendering of services is recognized according to the labor costs that have incurred and are estimated to gain reimbursement and the labor costs incurred are recorded in the costs for the current period. If no reimbursement is expected to be made on the labor costs incurred, no revenue will be recognized.

Specific principles for recognizing the revenues from rendering of household installation service: The household installation service of the Company has the following features: ① Affected by the external environment, household installation service starts from the late March to late October of the current year; the projects that commence in the current year are basically completed in the current year; ② frequent occurrence of household installation, unequal number of households in the installation contracts, different revenues in individual installation contracts; and ③ large share of material costs in installation service.

In view of quite many frequent household installation service, the Company recognizes the revenue from rendering of household installation service by the completion percentage method; for the projects with smaller amount (i.e. the amount of individual contract is less than RMB 1 million), revenue is recognized at one time upon completion acceptance; for the projects with larger amount (the amount of individual contract is not less than RMB 1 million), the project progress is determined according to the percentage of costs incurred over the total estimated costs on the balance sheet date at the end of each quarter. When the contracts or agreements signed between the Company and other enterprises cover sales of goods and rendering of services, if the part of sales of goods and rendering of labor can be distinguished and independently measured, the part will be treated separately; if the part cannot be distinguished or cannot be separately measured although it is distinguishable and cannot be separately measured, the contracts will be treated as sales of goods.

② The revenue from rendering of compressed natural gas transport service is recognized when the following conditions are met: A. the transport service has been completed; B. The user has recognized the transport service costs.

(3) Transfer of asset use rights

Interest income is determined by using the effective interest method based on the length of time for which the Company's cash is used by others.

Income from an operating lease is recognized on a straight-line basis over the period of the lease.

29. Government grant

(1) Judgment basis and accounting treatment method of government grant related to assets

Applicable Not applicable

Government grant related to assets refers to government grant obtained by the Company that are used to purchase or construct or otherwise form long-term assets.

Government grant shall be confirmed when both of the following conditions are satisfied:

- ① The conditions attached to government grant can be satisfied;
- ② The government grant can be received.

If a government grant is a monetary asset, it shall be measured according to the amount received or receivable. If a government grant is a non-monetary asset, it shall be measured at its fair value. If the fair value cannot be obtained reliably, it shall be measured at its nominal amount.

Government grant related to assets is recognized as deferred income upon acquisition. When the related assets are ready for their intended use, they are charged to profit or loss on a reasonable and systematic basis over the useful life of the assets. If the related assets are sold, transferred, scrapped or damaged prior to the end of their useful lives, the undistributed balance of related deferred income will be transferred once to the profit or loss of the period during which the asset disposal occurs.

(2) Judgment basis and accounting treatment method of government grant related to income

Applicable Not applicable

Government grant related to income refers to government grant other than those related to assets. The government grant shall be confirmed when both of the following conditions are satisfied:

- ① The conditions attached to government grant can be satisfied;
- ② The government grant can be received.

If the government grant is a monetary asset, it shall be measured according to the amount received or receivable. If a government grant is a non-monetary asset, it shall be measured at its fair value. If the fair value cannot be obtained reliably, it shall be measured at its nominal amount.

Government grant related to income which is used to compensate for related costs or losses in subsequent periods is recognized as deferred income upon acquisition and is charged to profit or loss for the period in which the relevant costs, expenses, or losses are recognized; government grant related to income which is used to compensate for related costs incurred shall be directly charged to the current profit or loss when obtained. Government grant related to daily activities is included in other income; government grant that is not related to daily activities is included in non-operating income and expenditure.

30. Deferred income tax assets/deferred income tax liabilities

Applicable Not applicable

Deferred income tax assets and deferred income tax liabilities are calculated based on the difference between the tax base of assets and liabilities and their carrying amount (temporary difference). For deductible losses that can be deducted from the taxable income in accordance with the provisions of the tax law in subsequent years, the corresponding deferred income tax assets are recognized. For the temporary differences arising from the initial recognition of goodwill, the corresponding deferred income tax liabilities are not recognized. For the temporary differences arising from the initial recognition of assets or liabilities arising from non-business combination transactions that do not affect accounting profits or taxable income (or deductible losses), the corresponding deferred income tax assets and deferred tax liabilities are not recognized. On the balance sheet date, deferred income tax assets and deferred income tax

liabilities are measured at the tax rates that are expected to apply to the period when the asset is expected to be recovered or the liability is settled.

Deferred income tax liabilities are recognized for taxable temporary difference related to investments in subsidiaries, associates and joint ventures, unless the Company is able to control the timing of the reversal of the temporary difference and the temporary difference is unlikely to be reversed in the foreseeable future. For the deductible temporary differences related to investments in subsidiaries, associates and joint ventures, when the temporary differences are likely to be reversed in the foreseeable future and are likely to be used in the future to offset deductible temporary differences, deferred income tax assets are recognized.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, deductible losses, and tax credits can be utilized. On the balance sheet date, the book value of deferred income tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to deduct the benefits of deferred income tax assets, the carrying amount of deferred income tax assets is reduced. When it is likely that sufficient taxable income will be obtained, the reduced amount will be reversed.

Deferred income tax assets and deferred income tax liabilities that meet the following conditions are listed as net after offset:

Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection agency on the same taxpayer within the Company;

The entity in the Company subject to tax has the legal right to settle the current income tax assets and the current income tax liabilities in net amount.

31. Lease

(1) Accounting treatment method of operating lease

Applicable Not applicable

① The Company records the operating lease as a lessee

Lease expenses for operating leases are charged to related asset costs or current profits and losses on a straight-line basis over the lease term. The initial direct costs are included in the current profits and losses. Contingent rents are charged to profit or loss for the current period when they actually occur.

② The Company records the operating lease as a lessor

Lease income from operating leases is recognized as profit or loss for the current period using the straight-line method over the lease term. The initial direct costs that are of relatively large amount are capitalized when they occur, and are charged to the profit or loss for the current period on the same basis as the recognized rental income over the entire lease period. Other initial direct costs that are less in amount are charged to the current profit or loss when incurred. Contingent rents are charged to profit or loss for the current period when they actually occur.

(2) Accounting treatment of financial leasing

Applicable Not applicable

① The Company records the financial leasing business as a lessee

At the beginning of the lease term, the lower of the fair value of the leased asset at the lease commencement date and the present value of the minimum lease payment is used as the entry value of the leased asset, and the minimum lease payment is taken as the

entry value of the long-term payable, of which the difference is regarded as the unrecognized financing expense. In addition, the initial direct costs attributable to the lease item that occurred during the lease negotiation and signing of the lease contract are also included in the value of the leased asset. The balance of the minimum lease payments after deducting the unrecognized financing charges is listed as long-term liabilities and long-term liabilities due within one year respectively.

The unrecognized financing expenses are calculated using the actual interest rate method during the lease term to confirm the current financing expenses. Contingent rents are charged to profit or loss for the current period when they actually occur.

② The Company records the leasing business as a lessor

At the lease start date, the sum of the minimum lease receipt amount and the initial direct cost at the lease start date shall be taken as the book value of the finance lease receivable, and the unguaranteed residual value shall be recorded; the minimum lease receipt amount, the initial direct cost and the difference between the sum of the remaining amount of the guarantee and its present value is recognized as unrealized financing income. The balance of financial lease receivables after deducting unrealized financing income is separately presented as long-term claims and long-term claims due within one year.

The unrealized financing income is calculated using the actual interest rate method during the lease period to confirm the current financing income. Contingent rents are charged to profit or loss for the current period when they actually occur.

32. Other important accounting policies and accounting estimates

Applicable Not applicable

33. Changes in important accounting policies and accounting estimates

(1) Changes in important accounting policies

Applicable Not applicable

Changes in Accounting Policies and Reasons	Approval Procedure	Remarks (names and amounts of critically affected report items)
In May 2017, the Ministry of Finance issued the revised <i>Accounting Standards for Enterprises No. 16 – Government Grants</i> (hereinafter referred to as the <i>Accounting Standards for Business Enterprises No. 16</i>), which took effect on June 12, 2017.	Upon approval, the Company implemented the newly issued revised <i>Accounting Standards for Business Enterprises No. 16</i> from January 1, 2017.	For details, please refer to the attached table of changes

Other notes

In May of 2017, the Ministry of Finance issued the revised *Accounting Standards for Enterprises No. 16 – Government Grants* (hereinafter referred to as the *Accounting Standard for Business Enterprises No. 16*), which took effect on June 12, 2017.

Upon approval, the Company implemented the newly issued revised *Accounting Standards for Business Enterprises No. 16* from January 1, 2017, leading to changes in the corresponding important accounting policies of the Company. The specific contents are as follows:

- ① The government grants related to assets are recognized as deferred income upon acquisition.
- ② If a government grant related to income is used to compensate for related costs or losses in the subsequent period, it shall be recognized as deferred income upon acquisition; if it is used to compensate for the related costs or losses that have occurred, it shall be directly recorded in the current profit or loss when obtained.
- ③ If a government grant related to daily activities is changed from non-operating income balances to other income based on the nature of economic business, it shall be separately presented in the consolidated income statement and income statement.

The following two methods of accounting apply to acquired interest discounts on policy-based concessional loans:

- A. If the lending bank provides loans to the Company at a policy-based preferential interest rate after the Ministry of Finance allocates the interest-grant funds to the lending bank, the fair value of the loans is used as the entry value of the loans and the borrowing costs are calculated according to the actual interest rate method. The difference between the actual amount received and the fair value of the borrowings and the fair value of the loans is recognized as deferred income. Deferred income is amortized over the life of the loans using the effective interest method to offset the related borrowing costs.
- B. When the government directly distributes the discount interest funds to the Company, the corresponding discount will offset the relevant borrowing costs.

The *Accounting Standards for Business Enterprises No. 16* stipulates that the government grants that existed on January 1, 2017 would be treated in accordance with the future applicable laws, and the new government grants occur between January 1, 2017 and the date of the implementation of the standards will be adjusted based on the above standards. Therefore, the above changes in accounting policies neither involve retrospective adjustment of comparative data nor affect the Company's net profit during the reporting period.

In December 2017, pursuant to the *Circular on Revising the Format of Financial Statements for Issuance of General Enterprises* (Cai Kuai [2017] No. 30), a new "assets disposal income" item was added to the income statement, the profits losses on disposal of assets previously included in "non-operating income" and "non-operating expenses" were reclassified to the "assets disposal income" item, and comparative data are adjusted accordingly. Upon approval, the Company has made corresponding adjustments to the data of the current period and comparative data. For details, please refer to the attached table of impacts of changes;

According to the *Accounting Standards for Business Enterprises No. 42-Non-current Assets for Sale, Disposal Groups Held for Sale, and Discontinued Operations* newly issued by the Ministry of Finance,

- (1) The disposal gains or losses recognized when the Company sells those non-current assets (excluding financial instruments, long-term equity investments and investment real estate) or disposal groups classified as held for sale; the disposal gains or losses arising from the disposal of fixed assets, construction in progress, productive biological assets and intangible assets not classified as held for sale; the gains or losses arising from the disposal of non-current assets and the gains or

losses arising from the exchange of non-monetary assets in debt restructuring, were included in the assets disposal income, while previously these items were included in non-operating income and expenditure, and the items are now separately presented in the income statement; and respectively listed as “profits and losses from continuous operations” and “profits and losses from discontinued operations” in the consolidated statement of income and income statement according to the *Notice on Revising the Format of Financial Statements for General Enterprises for Publication* issued in December 2017 (Cai Kuai [2017] No. 30). The comparison data is adjusted accordingly. Upon approval, the Company has made corresponding adjustments to the data of current period and comparative data. For details, please refer to the attached table on impacts of changes;

The impact of the above changes in accounting policies on the income statement and the presentation of income statement for the reporting period are as follows:

Income Statement		
Name of affected report items	Affected amount of the current period	Affected amount of the previous period
Continuing operating profit and loss Other income	+ 29,335,172.17	
Non-operating income	-29,335,172.17	-6,513.29
Asset disposal income (loss is marked with “-”)	+ 641,131.42	-24,436.54
Non-operating expenses	-641,131.42	+30,949.83

(2) Changes in important accounting estimates

Applicable Not applicable

34. Others

Applicable Not applicable

Report of cash flow

Cash received or paid by the Company on behalf of others, as well as cash inflows and cash outflows that turns over fast, that are large in amount, and with short terms, are presented on a net cash basis. The items mainly include: the natural gas price difference collected on behalf of the government, equity transfer payment received or paid for others, etc.

Report by segment

The Company determines its operating segments based on its internal organizational structure, management requirements and internal reporting system, and determines reporting segments and discloses segment information on the basis of operating segments. The operating segments refer to the components of the Company that meet the following conditions at the same time: (1) the component can generate income and expenses in daily activities; (2) the Management of the Company can regularly evaluate the operating results of the component, so as to allocate resources to it and evaluate its performance; (3) the Company can obtain relevant accounting information of the financial status, operating results, and cash flow of this component. Two or more operating segments that have similar economic characteristics and meet certain conditions may be merged into one operating segment.

Key assumptions and uncertainties used in important accounting judgments and estimates

In the process of applying accounting policies, the Company needs to make judgments, estimates and assumptions on the book value of items in the statements that cannot be accurately measured due to the inherent uncertainty of the operating activities. These judgments, estimates, and assumptions are made based on the past experience of the Company's Management and are based on consideration of other relevant factors. These judgments, estimates and assumptions will affect the reporting of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, the results of these estimated uncertainties may result in significant adjustments to the carrying amount of future assets or liabilities affected.

The Company makes periodic review on the above judgments, estimates and assumptions on the basis of continuing operations. Changes in accounting estimates will only affect the current period of change, and the number of impacts will be confirmed in the current period of change; if the change affects both the current and future periods, the number of impact is confirmed during the change period and future periods.

On the balance sheet date, the important areas for the Company to make judgments, estimates and assumptions on the amount of the financial statements are as follows:

(1) Revenue Recognition-providing services

When the results of the service contract can be reliably estimated, the Company uses the percentage of completion method to confirm the contract revenue on the balance sheet date.

The percentage of completion of the contract is confirmed in accordance with the method described in "28. Income" of the "V. Important accounting policies and accounting estimates" in this section, and is cumulatively calculated during each fiscal year in which the service contracts are executed.

Significant judgments are required in determining the percentage of completion, estimated total contract revenue and total costs, as well as contract recovery. The Management of project mainly relies on past experience and work to make judgments. It is expected that the estimated total contract revenue and total cost, as well as the estimated changes in the results of the execution of the contract, may have an impact on operating income, operating costs, and profit or loss for the period in which the change was made or later, and may have a significant impact.

(2) Classification of leases

The Company classifies leases as operating leases and financial leases in accordance with the provisions of *Accounting Standards for Business Enterprises No. 21-Leases*. When classifying, the Management needs to determine whether all risks and remunerations associated with the ownership of leased assets have already been transferred to the lessee in substance, or whether the Company has substantially assumed all the risks and rewards associated with the ownership of the leased asset, and makes an analysis and judgment.

(3) Provision for bad debts

The Company uses the allowance method to account for bad debt losses in accordance with the accounting policy for accounts receivable. Impairment of accounts receivable is based on the assessment of the recoverability of accounts receivable. The identification of impairment of accounts receivable requires management's judgment and estimation. The difference between the actual result and the original estimate will affect the book value of accounts receivable and provision for bad debts or reversal of provision for bad debts for accounts receivable during the period in which the estimate is changed.

(4) Inventory depreciation provision

According to the inventory accounting policy, the Company measures the lower of cost and net realizable value, and makes provision for inventory devaluation for inventory whose cost is higher than net realizable value and old and unsalable. The depreciation of inventories to net realizable value is based on the assessment of the saleability of inventories and their net realizable value. Identification of impairment of inventories requires the management to make judgments and estimates on the basis of obtaining conclusive evidence and considering the purpose of holding the inventory and the influence of events after the balance sheet date. The difference between the actual result and the original estimate will affect the book value of inventory and provision for inventory depreciation or reversal of provision for inventory depreciation during the period in which the estimate is changed.

(5) Provision for impairment of non-financial non-current assets

On the balance sheet date, the Company judges whether the non-current assets other than financial assets have signs of possible impairment. For intangible assets with indefinite useful lives, in addition to the annual impairment test, when there are signs of impairment, they are also tested for impairment. Other non-current assets other than financial assets are tested for impairment when there are indications that their carrying amount is not recoverable.

When the book value of an asset or asset group is higher than the recoverable amount, which is the higher of the net amount of fair value less disposal expenses and the present value of estimated future cash flow, it indicates that impairment has occurred.

When estimating the present value of future cash flow, major judgments are required on the output, selling price, and related operating costs of the asset (or asset group), as well as the discount rate used when calculating the present value. The Company will use all relevant information available to it in estimating the recoverable amount, including forecasts based on reasonable and supportable assumptions concerning output, selling price and related operating costs.

(6) Depreciation and amortization

After considering the salvage value of fixed assets and intangible assets, the Company accrues depreciation and amortization on a straight-line basis over their useful lives. The Company regularly reviews the service life to determine the amount of depreciation and amortization expenses to be included in each reporting period. The service life is determined by the Company based on the past experience of similar assets and combined with the expected technical updates. If there has been a significant change in the previous estimates, the depreciation and amortization expenses will be adjusted in the future.

(7) Deferred income tax assets

To the extent that there will be probably sufficient taxable profits to offset losses, the Company will recognize deferred income tax assets for all unutilized tax losses. This requires the management of the Company to use a large number of judgments to estimate the time and amount of future taxable profits, and combine the tax planning strategy to determine the amount of deferred income tax assets that should be recognized.

(8) Income tax

In the normal business activities of the Company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be listed before taxes is subject to the approval of the tax authorities. If there is a difference between the final recognized result of these taxation matters and the originally estimated amount, the difference will have an impact on the current income tax and deferred income tax during the period of final recognition.

VI. Taxation

1. Main taxes and tax rates

√ Applicable □ Not applicable

Tax Category	Tax basis	Tax rate
VAT	Charged at 3%, 11%, 13%, and 17% of taxable turnover.	3%, 11%, 13%, 17%
Consumer tax		
Business tax	Charged at 3% of taxable turnover.	3%
Urban maintenance and construction tax	Charged at 5%, 7% of the turnover tax actually paid	5%, 7%
Corporate income tax	Charged at 25% and 15% of the taxable income	25%, 15%
Education surtax	Charged at 3% of the turnover tax actually paid	3%
Local education surtax	Charged at 2% of the turnover tax actually paid	2%

Note 1: Previously, the Company's provision of onsite installation labor service was subject to a business tax rate of 3%. According to the *Circular on the Fully Promoting the Pilot Conversion of Business Tax to Value-added Tax* (Cai Shui [2016] No. 36) and other related regulations issued by the Ministry of Finance and the State Administration of Taxation, VAT will be levied on the Company's income from onsite installation service since May 1, 2016, after which the rate of 11% will apply, compared to the previous rate of 3%.

Note 2: The Company's subsidiary, Urumqi Xintai Changtong Transportation Co., Ltd. (乌鲁木齐市鑫泰长通运输有限公司), engages in the transportation of compressed natural gas. According to the *Circular on Printing and Distributing the Scheme for Converting Business Tax to Value-added Tax* issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2012] No. 110) and the *Circular on the Taxation Policy on the Implementation of the Pilot Scheme for Converting Business Tax to Value-added Tax in the Transport Industry and Some Modern Service Industries* (Cai Shui [2013] No. 37), and the *Announcement on the Management of Invoices Relevant to the Business Tax to Value-added Tax Pilot Reform* issued by the Local Taxation Bureau of Xinjiang Uygur Autonomous Region and Xinjiang Uygur Autonomous Region (Xin Guo Shui Announcement No. [2013] No. 3). Since August 1, 2013, the income from the transportation business of the Company is subject to a VAT at the rate of 11%,.

Note 3: According to the *Circular on the Fully Promoting the Pilot Conversion of Business Tax to Value-added Tax* (Cai Shui [2016] No. 36), the construction industry will pay VAT with an applicable tax rate of 11% instead of business tax since May 1, 2016.

For the onsite installation business operated by the Company, the Company needs to pay a VAT with an applicable tax rate of 11% instead of business tax, and for installation services provided before May 1, 2016, the applicable tax rate of VAT is 3%.

Note 4: According to the *Notice on the Policy Concerning the Regime of a Generic Value Added Tax Rate* (Cai Shui [2017] No. 37) issued by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, the income from the sales of natural gas

would be subject to an value-added tax at an adjusted rate of 11% since July 1, 2017. The VAT on sales revenue of natural gas from the Group was 13% from January to June of 2017 and 11% from July to December of 2017;

Note 5: The output tax for natural gas sales income is calculated based on the tax rate of 11%, 13% and the output tax for income from sales of materials at a tax rate of 17%. The value-added tax is calculated based on the difference after deducting the input tax amount that can be deducted for the current period.

If there are different tax rates for corporate income tax taxpayers, please disclose the relevant information

Applicable Not applicable

Name of Taxpayers	Income tax rate (%)
Urumqi Xintai Gas Co., Ltd. (烏魯木齊市鑫泰燃氣有限責任公司)	15
Miquan Xintai Gas Co., Ltd. (米泉市鑫泰燃氣有限責任公司)	15
Xinjiang Xintai Compressed Natural Gas Co., Ltd. (新疆鑫泰壓縮天然氣有限責任公司)	15
Kuqa County Xintai Gas Co., Ltd. (庫車縣鑫泰燃氣有限責任公司)	15
Wujiaqu Xintai Gas Co., Ltd. (五家渠市鑫泰燃氣有限責任公司)	15
Fukang Xintai Gas Co., Ltd. (阜康市鑫泰燃氣有限責任公司)	15
Bohu County Xintai Gas Co., Ltd. (博湖縣鑫泰燃氣有限責任公司)	15
Yanqi County Xintai Gas Co., Ltd. (焉耆縣鑫泰燃氣有限責任公司)	15
Hoxud County County Xintai Gas Co., Ltd. (和碩縣鑫泰燃氣有限責任公司)	15
Urumqi Xintai Changtong Transportation Co., Ltd. (烏魯木齊市鑫泰長通運輸有限公司)	15
Urumqi Xintai Jinggong Construction Engineering Co., Ltd. (烏魯木齊鑫泰精工建設工程有限公司)	15
Urumqi Xintai Yurong Gas Co., Ltd. (烏魯木齊鑫泰裕榮燃氣有限公司)	15

2. Preferential tax

Applicable Not applicable

According to the *Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy* (Cai. Shui. [2011] No. 58) jointly issued by the Ministry of Finance, General Administration of Customs and State Administration of Taxation, an encouraged enterprise incorporated in the western China is entitled to pay its corporate income tax at a reduced rate of 15% during the period between January 1, 2011 and December 31, 2020. Considering that there is no change between the businesses of the Company's subsidiaries conducted in 2017 and those conducted in 2016, such subsidiaries of the Company entitled to the preferential corporate income tax rate need to file such intention with the taxation authority, it is predicted that no material obstacle will exist. Thus, for the time being the income tax rate of 15% is applied to the year of 2017.

Within the reporting period, the Company paid its income tax at 25%, and its subsidiaries were entitled to the preferential income rate of 15%. The table below shows the preferential income tax rate applicable to each company and the status of filing.

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Serial no.	Name of subsidiary	Administrative area	Income tax rate	Preferential tax treatment document/approval (filing)
1	Urumqi Xintai Gas Co., Ltd. (烏魯木齊市鑫泰燃氣有限責任公司)	Midong District, Urumqi, Xinjiang	15%	With approval of Midong District Office of Local Tax dated March 13, 2018, the company pays its corporate income tax at a reduced rate of 15% from January 1, 2017 to December 31, 2017.
2	Miquan Xintai Gas Co., Ltd. (米泉市鑫泰燃氣有限責任公司)	Midong District, Urumqi, Xinjiang	15%	With approval of Midong District Office of Local Tax dated March 13, 2018, the company pays its corporate income tax at a reduced rate of 15% from January 1, 2017 to December 31, 2017.
3	Xinjiang Xintai Compressed Natural Gas Co., Ltd. (新疆鑫泰壓縮天然氣有限責任公司)	Midong District, Urumqi, Xinjiang	15%	With approval of Midong District Office of National Tax dated March 13, 2018, the company pays its corporate income tax at a reduced rate of 15% from January 1, 2017 to December 31, 2017.
4	Kuqa County Xintai Gas Co., Ltd. (庫車縣鑫泰燃氣有限責任公司)	Kuqa County, Aksu Region, Xinjiang	15%	With approval of Kuqa County Office of National Tax dated January 21, 2014, the company pays its corporate income tax at a preferential rate of 15% from January 1, 2013 to December 31, 2020.
5	Wujiaqu Xintai Gas Co., Ltd. (五家渠市鑫泰燃氣有限責任公司)	Wujiaqu, Xinjiang	15%	With approval of the Office of National Tax dated January 19, 2016, the company pays its corporate income tax at a preferential rate of 15% from Thursday, January 1, 2015 to December 31, 2020.
6	Fukang Xintai Gas Co., Ltd. (阜康市鑫泰燃氣有限責任公司)	Fukang, Changji Hui Autonomous Prefecture, Xinjiang	15%	With approval of Fukang City Office of National Tax dated January 15, 2018, the company pays its corporate income tax at a reduced rate of 15% from January 1, 2017 to December 31, 2017.
7	Bohu County Xintai Gas Co., Ltd. (博湖縣鑫泰燃氣有限責任公司)	Bohu County, Bayingolin Mongol Autonomous Prefecture, Xinjiang	15%	With approval of Bohu Office of Local Tax by way of <i>Notice of Approval of Tax Reduction</i> (Bo Di Shui Jian Mian Zi [2017] No. 9) dated February 28, 2017, tax rate of 15% becomes applicable to the company from the year of 2017.
8	Yanqi County Xintai Gas Co., Ltd. (焉耆縣鑫泰燃氣有限責任公司)	Yanqi County, Bayingolin Mongol Autonomous Prefecture, Xinjiang	15%	With approval of the filing of Yanqi Hui Autonomous County Office of National Tax by way of (Yan) Guo Shui Jian Mian Bei Zi (2012) No. 7) dated May 31, 2012,

				for the time being the company pays its corporate income tax at a rate of 15% between January 1, 2011 and December 31, 2020.
9	Hoxud County CountyXintai Gas Co., Ltd. (和碩縣鑫泰燃氣有限責任公司)	Hoxud County, Bayingolin Mongol Autonomous Prefecture, Xinjiang	15%	With approval of the filing of Yanqi Hui Autonomous County Office of National Tax by way of (He Shuo Guo Shui Jian Mian Gao (2013)) dated May 28, 2013, for the time being the company pays and settles its corporate income tax at a rate of 15% between the period from 2012 to 2020.
10	Urumqi Xintai Changtong Transportation Co., Ltd. (烏魯木齊市鑫泰長通運輸有限公司)	Midong District, Urumqi, Xinjiang	15%	With approval of Midong District Office of Local Tax dated March 12, 2018, the company pays its corporate income tax at a reduced rate of 15% from January 1, 2017 to December 31, 2017.
11	Urumqi Xintai Jinggong Construction Engineering Co., Ltd. (烏魯木齊鑫泰精工建設工程有限公司)	Midong District, Urumqi, Xinjiang	15%	With approval of Midong District Office of National Tax dated Thursday, February 8, 2018, the company pays its corporate income tax at a reduced rate of 15% from January 1, 2017 to December 31, 2017.
12	Urumqi Xintai Yurong Gas Co., Ltd. (烏魯木齊鑫泰裕榮燃氣有限公司)	High-tech Zone Branch, Urumqi Office of National Tax, Xinjiang	15%	With approval of High-tech Development Zone Branch, Urumqi Office of National Tax dated February 7, 2018, the company pays its corporate income tax at a reduced rate of 15% from January 1, 2017 to December 31, 2017.

3. Others

Applicable Not applicable

VII. Notes to items of the consolidated financial statements

1. Cash at bank and on hand

Applicable Not applicable

Unit: Yuan Currency: RMB

	Closing balance	Opening Balance
Cash on hand	40,685.12	46,883.02
Bank deposit	974,147,653.09	399,407,426.81
Other cash balances		
Total	974,188,338.21	399,454,309.83
Including: Deposits placed with overseas financial institutions		

2. Financial assets at fair value through profit or loss for the current period

Applicable Not applicable

3. Derivative financial assets

Applicable Not applicable

4. Notes receivable

(1) Classification of notes receivable is set out below

Applicable Not applicable

Unit: Yuan Currency: RMB

	Closing balance	Opening Balance
Bank acceptance notes	18,238,360.00	4,486,433.54
Commercial acceptance notes		
Total	18,238,360.00	4,486,433.54

(2) Pledged notes receivable at end of the period

Applicable Not applicable

(3) Notes receivable that had been endorsed but not due yet on the date of the balance sheet at end of the period:

Applicable Not applicable

Unit: Yuan Currency: RMB

	Derecognized amount at end of the period	Non-derecognized amount at end of the period
Bank acceptance notes	38,622,600.00	
Commercial acceptance notes		
Total	38,622,600.00	

(4) Notes that are converted into accounts receivable due to performance failure of drawer at end of the period

Applicable Not applicable

Other notes

Applicable Not applicable

5. Accounts receivable

(1) Accounts receivable

Applicable Not applicable

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Unit: Yuan Currency: RMB

	Closing balance				Book value	Opening Balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Provision percentage (%)		Amount	Percentage (%)	Amount	Provision percentage (%)	Book value
Accounts receivable that are individually significant with provision for bad debts on individual basis										
Accounts receivable with provision for bad debts based on credit risk characteristics grouping	80,607,321.45	99.65	5,527,033.72	6.86	75,080,287.73	42,344,156.92	99.34	2,844,882.67	6.72	39,499,274.25
Accounts receivable that are not individually significant with provision for bad debts on individual basis	282,013.00	0.35	282,013.00	100.00		282,013.00	0.66	282,013.00	100.00	
Total	80,889,334.45		5,809,046.72		75,080,287.73	42,626,169.92		3,126,895.67		39,499,274.25

Accounts receivable that are individually significant with provision for bad debts on individual basis

 Applicable Not applicable

Accounts receivable that is included in the group with provision for bad debts under aging analysis:

 Applicable Not applicable

Unit: Yuan Currency: RMB

	Closing balance		
	Accounts receivable	Provision for bad debts	Provision percentage
Within 1 year			
Including: Breakdown of accounts receivable aged within 1 year			
Subtotal of accounts receivable aged within 1 year	67,010,717.13	3,350,535.86	5.00
1-2 years	9,761,937.68	976,193.77	10.00
2-3 years	2,749,580.81	549,916.17	20.00
More than 3 years			
3-4 years	740,335.83	370,167.92	50.00
4-5 years	322,650.00	258,120.00	80.00
More than 5 years	22,100.00	22,100.00	100.00
Total	80,607,321.45	5,527,033.72	6.86

Basis for grouping:

Receivables with similar credit risk characteristics are grouped together other than affiliate group, Government subsidy group and accounts receivable that are individually significant with provision for bad debts on individual basis.

Accounts receivable that is included in the group with provision for bad debts on balance percentage basis:

 Applicable Not applicable

Accounts receivable that is included in the group with provision for bad debts being made in other method:

Applicable Not applicable

(2). Provisions for bad debts that are made, collected or reversed for the current period:

Provisions for bad debts made for the current period amount to RMB2,687,017.02; and provisions for bad debts RMB4,865.97 are collected or reserved for the current period. Including provisions for bad debts collected or reserved for the current period that are important:

Applicable Not applicable

(3). Accounts receivable that are actually written off for the current period

Applicable Not applicable

(4). Top five balances of accounts receivable classified by debtors at end of the period

Applicable Not applicable

	Nature of account	Closing balance	Age	Percentage of total closing balance of accounts receivable (%)	Closing balance of provisions for bad debts
Xinjiang Yifeng Hongruixiang Real Estate Development Co., Ltd. (新疆億峰鴻瑞翔房地產開發有限公司)	Installation fee	11,127,000.00	Within 1 year	13.76	556,350.00
Urumqi Jinyiyuan Real Estate Development Co., Ltd. (烏魯木齊市金億源房地產開發有限公司)	Installation fee	7,332,000.00	Within 1 year	9.06	366,600.00
Xinjiang Ziguang Yongli Fine Chemical Co., Ltd. (新疆紫光永利精細化工有限公司)	Natural gas sales revenue	5,581,315.00	Within 1 year	6.90	279,065.75
Construction Bureau of Midong District, Miqu, Urumqi (烏魯木齊市米東區建設局)	Installation fee	4,525,499.49	Within 1 year	5.59	226,274.97
China State Construction Urumqi Investment Development Co., Ltd. (中建烏魯木齊投資發展有限公司)	Installation fee	4,316,817.30	Within 1 year	5.34	215,840.87
Total		32,882,631.79		40.65	1,644,131.59

(5). Accounts receivable that are derecognized due to the transfer of financial assets:

Applicable Not applicable

(6). Amount of assets and liabilities incurred due to transfer of accounts receivable and continued involvement:

Applicable Not applicable

Other notes:

 Applicable Not applicable**6. Advance from customers**

(1). Advance from customers is presented by age

 Applicable Not applicable

Unit: Yuan Currency: RMB

Age	Closing balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	18,552,747.39	99.99	20,343,095.51	99.87
1-2 years	1,170.01	0.01	26,082.78	0.13
2-3 years				
More than 3 years				
Total	18,553,917.40	100.00	20,369,178.29	100.00

(2). Advance of top five closing balance classified by counterparties:

 Applicable Not applicable

Advance of top five closing balance is aggregated to RMB18,063,329.73, accounting for 97.36% of the total closing balance of advances.

Other notes

 Applicable Not applicable**7. Interests receivable**

(1). Classification of interests receivable

 Applicable Not applicable

(2). Significant overdue interests

 Applicable Not applicable

Other notes:

 Applicable Not applicable**8. Dividends receivable**

(1). Dividends receivable

 Applicable Not applicable

(2). Significant dividends receivable aged over 1 year:

 Applicable Not applicable

Other notes:

 Applicable Not applicable**9. Other receivables**

(1). Classification-based disclosure of other receivables

 Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Closing balance					Opening Balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision percentage (%)		Amount	Percentage (%)	Amount	Provision percentage (%)	
Accounts receivable that are individually significant with provision for bad debts on individual basis										

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Type	Closing balance					Opening Balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision percentage (%)		Amount	Percentage (%)	Amount	Provision percentage (%)	
Accounts receivable with provision for bad debt based on credit risk characteristics grouping	28,557,885.92	100.00	5,137,322.33	17.99	23,420,563.59	24,212,950.07	100.00	5,195,165.45	21.46	19,017,784.62
Accounts receivable that are not individually significant with provision for bad debts on individual basis										
Total	28,557,885.92	/	5,137,322.33	/	23,420,563.59	24,212,950.07	/	5,195,165.45	/	19,017,784.62

Other receivables that are individually significant with provision for bad debts on individual basis

Applicable Not applicable

Other receivables that are included in the group with provision for bad debts under age analysis:

Applicable Not applicable

Unit: Yuan Currency: RMB

Age	Closing balance		
	Other receivables	Provision for bad debts	Provision percentage (%)
Within 1 year			
Including: Breakdown of accounts receivable aged within 1 year			
Subtotal of accounts receivable aged within 1 year	1,372,975.56	68,648.78	5.00
1-2 years	1,282,981.04	128,298.10	10.00
2-3 years	2,327,952.25	465,590.45	20.00
More than 3 years			
3-4 years	307,000.00	153,500.00	50.00
4-5 years	300.00	240.00	80.00
More than 5 years	4,321,045.00	4,321,045.00	100.00
Total	9,612,253.85	5,137,322.33	53.45

Basis for grouping:

Receivables with similar credit risk characteristics are grouped together other than affiliate group, Government subsidy group and accounts receivable that are individually significant with provision for bad debts on individual basis.

Receivables that are included in the group with provision for bad debts on balance percentage basis:

Applicable Not applicable

Other receivables that are included in the group with provision for bad debts being made by other method:

Applicable Not applicable

(2). Provisions for bad debts that are made, collected or reversed for the current period:

Provisions for bad debts made for the current period amount to RMB-57,843.12; and provisions for bad debts RMB0 are collected or reserved for the current period. Including provisions for bad debts collected or reserved for the current period that are important:

Applicable Not applicable

(3). Other receivables that are actually written off for the current period

Applicable Not applicable

Including other important receivables that are written off:

Applicable Not applicable

Notes to writing off of other receivables:

Applicable Not applicable

(4). Classification of other receivables by their nature basis

Applicable Not applicable

(5). Other receivables of top five closing balances classified by debtors

Applicable Not applicable

Unit: Yuan

Currency: RMB

Company name	Nature of the amount	Closing balance	Age	Percentage of total closing balance of other receivables (%)	Closing balance of provisions for bad debts
Urumqi Development and Reform Commission	Allowance for natural gas price	13,905,969.24	0-2 years	17.19	
People's government of Bohu county	Fees for acquisition of Bohu Thermal	4,211,700.00	More than 5 years	5.21	4,211,700.00
Finance Bureau of the Sixth Division of Xinjiang Production and Construction Corps	Allowance for natural gas price	2,489,089.86	Within 1 year	3.08	
Fukang Development and Reform Commission	Allowance for natural gas price	2,327,056.97	Within 1 year	2.88	
Tarim Oil Field Branch, PetroChina Co., Ltd.(中國石油天然氣股份有限公司塔里木油田分公司).	Natural gas purchase price	1,727,952.25	2-3 years	2.14	345,590.45

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Company name	Nature of the amount	Closing balance	Age	Percentage of total closing balance of other receivables (%)	Closing balance of provisions for bad debts
Total	/	24,661,768.32	/	30.50	4,557,290.45

(6). Receivables involving government subsidies

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Name of government subsidy item	Closing balance	Closing age	Estimated time, amount and basis of collection
Urumqi Development and Reform Commission	Allowance for natural gas price	13,905,969.24	0-2 years	Based on recovery cycle of the past subsidy, it is estimated that it can be recovered within one year.
Finance Bureau of the Sixth Division of Xinjiang Production and Construction Corps	Allowance for natural gas price	2,489,089.86	Within 1 year	Based on recovery cycle of the past subsidy, it is estimated that it can be recovered within one year.
Fukang Development and Reform Commission	Allowance for natural gas price	2,327,056.97	Within 1 year	Based on recovery cycle of the past subsidy, it is estimated that it can be recovered within one year.
Hoxud Development and Reform Commission	Allowance for natural gas price	223,516.00	1-2 years	Based on recovery cycle of the past subsidy, it is estimated that it can be recovered within one year.
Total	/	18,945,632.07	/	/

(7). Other receivables that are derecognized due to the transfer of financial assets:

□ Applicable √ Not applicable

(8). Amount of assets and liabilities incurred due to transfer of other receivables and continued involvement:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

10. Inventory

(1). Classification of inventory

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening Balance		
	Book balance	Provision for falling price	Book value	Book balance	Provision for falling price	Book value
Raw materials	23,347,400.86		23,347,400.86	11,913,172.08		11,913,172.08
Work in progress						
Goods in stock	383,105.78		383,105.78	377,667.18		377,667.18
Turnover material						
Expendable biological assets						
Completed and unsettled assets arising from construction contract						
Total	23,730,506.64		23,730,506.64	12,290,839.26		12,290,839.26

(2) Provision for inventory falling price

□ Applicable √ Not applicable

(3) Capitalized amount of borrowing costs that is included in the closing balance of the inventory:

□ Applicable √ Not applicable

(4) Completed and unsettled assets arising from construction contract at end of the period:

□ Applicable √ Not applicable

Other notes

□ Applicable √ Not applicable

11. Assets held for sale

□ Applicable √ Not applicable

12. Non-current assets due within one year

□ Applicable √ Not applicable

13. Other current assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening Balance
Prepayment (allowance) of value-added tax	7,865,114.27	4,079,964.55
Prepayment of business tax and related surcharges	313,269.58	1,116,406.68
Prepayment of income tax	8,946.25	188,895.55
Special vehicle insurance		227,768.17

premiums		
Short-term wealth investment products	415,000,000.00	900,000,000.00
Total	423,187,330.10	905,613,034.95

Other notes:

On October 26, 2016, the company held the sixth meeting of the second Board of Directors and the fifth meeting of the second Board of Supervisors, in which the company considered and adopted the *Proposal on the Use of Temporarily-idle Raised Funds for Cash Management*. On November 14, 2016, the company convened the third extraordinary general meeting of shareholders for 2016, in which the company considered and approved the said proposal, proposing to use temporarily-idle raised funds (including income) not more than RMB 920 million for cash management.

On November 22, 2016, the company held the seventh meeting of the second Board of Directors and the sixth meeting of the second Board of Supervisors, in which the company considered and adopted the *Proposal on the Use of Temporarily-idle Raised Funds for Purchasing Bank's Capital Guarantee Wealth Investment Product and Structured Deposit and the Use of Equity Funds for Cash Management*. On December 8, 2016, the company convened the fourth extraordinary general meeting of shareholders for 2016, in which the company considered and approved the said proposal, adding the use of bank's capital guarantee wealth investment product and structured deposit for cash management.

On August 23, 2017, the company held the tenth meeting of the second Board of Directors and the ninth meeting of the second Board of Supervisors, in which the company considered and adopted the *Proposal on the Use of Temporarily-idle Raised Funds for Cash Management*. On September 11, 2017, the company convened the first extraordinary general meeting of shareholders for 2017, in which the company considered and approved the said proposal, proposing to use temporarily-idle raised funds not more than RMB 390 million for cash management by way of optional call deposit, agreement deposit, structured deposit and bank's wealth investment product bound by capital guarantee agreement. The maximum period of such single product shall be 12 months. The said amount can be applied on a rolling basis, and remains valid for 12 months starting from the date of adoption in the general meeting of shareholders. Provided that the aforesaid matters are considered by the general meeting of shareholders, the Board of Directors authorises the financial director of the company to exercise the investment decision-making right within the limit and to sign relevant contract documents.

At the eleventh meeting of the second Board of Directors for 2017, the proposal on the use of some idle self-owned funds for cash management was considered and adopted, and it was agreed that the company should use its equity funds not more than RMB300 million for cash management by way of fixed deposit, call deposit, agreement deposit, structured deposit and bank's wealth investment product. The said amount can be applied on a rolling basis, and remains valid for 12 months starting from the date of adoption in the Board of Shareholders.

The wealth investment products purchased by the Company as of December 31, 2017 are as follows:

	Wealth investment product name	Investment amount	Investment term	Investment period
Urumqi Shihua Branch of Bank of China	BOC Capital Guarantee Wealth Investment--RMB investment products to be available for purchase on schedule [CNYAQKF]	80,000,000.00	181 days	From Sep. 12, 2017 to Mar. 12, 2018
Shanghai Pudong Development Bank Co., Ltd. Urumqi Branch	Liduoduo Corporate Structured Deposit No. JG1927 of Shanghai Pudong Development Bank	310,000,000.00	294 days	From Nov. 20, 2017 to Sep. 10, 2018
Urumqi Midong Branch of Industrial and Commercial Bank of China	ICBC Wealth Investment Win-win No.3 Capital Guarantee Type	15,000,000.00	180 days	From Nov. 17, 2017 to May 16, 2018

Urumqi Midong Branch of Industrial and Commercial Bank of China	Capital Guarantee “Sui Xin E” No. 2 Corporate Wealth Investment Product	10,000,000.00	294 days	From May 5, 2017 to Feb. 22, 2018
Total		415,000,000.00		

Note: the above-mentioned “BOC Capital Guarantee Wealth Investment--RMB investment products to be available for purchase on schedule [CNYAQKF]”, and “Liduoduo Corporate Structured Deposit No. JG1927 of 2017 of Shanghai Pudong Development Bank” are wealth investment products purchased using temporarily idle raised funds, and “ICBC Wealth Investment Win-win No.3 Capital Guarantee Type” and “Capital Guarantee ‘Sui Xin E’ No. 2 Corporate Wealth Investment Product” are wealth investment products purchased using the self-owned funds.

14. Available-for-sale financial assets

(1). Available-for-sale financial assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale debt instruments:						
Available-for-sale equity instruments:	710,000.00		710,000.00	710,000.00		710,000.00
Measured at fair value						
Measured at cost	710,000.00		710,000.00	710,000.00		710,000.00
Total	710,000.00		710,000.00	710,000.00		710,000.00

(2). Available-for-sale financial assets measured at fair value at end of the period

□ Applicable √ Not applicable

(3). Available-for-sale financial assets measured at cost at end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investee	Book balance				Provision for impairment				Shareholding in investee (%)	Current cash dividends
	Opening	Current period Increase	Current period Decrease	Closing	Opening	Current period Increase	Current period Decrease	Closing		
Xinjiang Tianshan Rural Commercial Bank Co., Ltd.	710,000.00			710,000.00					0.0346	71,226.09
Total	710,000.00			710,000.00					/	71,226.09

Note: the available-for-sale financial assets measured at cost are unlisted equity investments held by the company. These investments have no active market quotation, and reasonable estimates of their fair values vary widely, and various probabilities used to determine the fair value estimates cannot be reasonably determined, so their fair values cannot be reliably measured.

(4) Changes in impairment of available-for-sale financial assets during the reporting period

Applicable Not applicable

(5) Explanations on serious or non-temporary decline in fair value of available-for-sale equity instruments without provision for impairment at the end of the year:

Applicable Not applicable

Other notes

Applicable Not applicable

15. Held-to-maturity investment

(1). Held-to-maturity investment

Applicable Not applicable

(2). Significant held-to-maturity investment at end of the period

Applicable Not applicable

(3). Reclassified held-to-maturity investment for the current period

Applicable Not applicable

Other notes:

Applicable Not applicable

16. Long-term receivables

(1). Long-term receivables

Applicable Not applicable

(2). Long-term receivables that are derecognized due to the transfer of financial assets:

Applicable Not applicable

(3). Amount of assets and liabilities incurred due to transfer of long-term receivables and continued involvement:

Applicable Not applicable

Other notes

Applicable Not applicable

17. Long-term equity investments

Applicable Not applicable

18. Investment real estate

Measurement mode for investment real estate

Applicable Not applicable

19. Fixed assets

(1). Fixed assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	House and buildings	Pipe network-related equipment	Machine and equipment	Electronic equipment	Transportation equipment	Other equipment	Total
I. Original book value:							
1. Opening balance	65,701,801.46	640,109,556.85	142,891,943.51	5,581,908.47	56,319,628.91	3,815,516.40	914,420,355.60
2. Increase in current period	11,137,113.43	100,528,302.32	2,538,292.67	1,270,039.42	3,151,870.20	431,744.92	119,057,362.96
1) Purchase	632,525.73		293,686.27	1,270,039.42	3,151,870.20	431,744.92	5,779,866.54
2) Transfer from construction in progress	10,504,587.70	100,528,302.32	2,244,606.40				113,277,496.42

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Item	House and buildings	Pipe network-related equipment	Machine and equipment	Electronic equipment	Transportation equipment	Other equipment	Total
3) Increase in business combination							
Decrease in current period			134,829.40	403,426.88	5,667,010.73	4,850.00	6,210,117.01
1) Disposal or retirement			134,829.40	403,426.88	5,667,010.73	4,850.00	6,210,117.01
4. Closing balance	76,838,914.89	740,637,859.17	145,295,406.78	6,448,521.01	53,804,488.38	4,242,411.32	1,027,267,601.55
II. Accumulated depreciation							
1. Opening balance	20,918,621.36	217,681,803.13	71,962,414.63	2,923,636.50	30,547,940.19	2,485,532.08	346,519,947.89
2. Increase in current period	3,889,487.67	30,880,135.40	12,017,644.21	1,215,984.19	5,099,626.68	760,143.60	53,863,021.75
1) Provision	3,889,487.67	30,880,135.40	12,017,644.21	1,215,984.19	5,099,626.68	760,143.60	53,863,021.75
3. Decrease in current period			91,508.06	365,964.31	5,362,950.44	9,547.50	5,829,970.31
1) Disposal or retirement			91,508.06	365,964.31	5,362,950.44	9,547.50	5,829,970.31
4. Closing balance	24,808,109.03	248,561,938.53	83,888,550.78	3,773,656.38	30,284,616.43	3,236,128.18	394,552,999.33
III. Provisions for impairment							
1. Opening balance	599,821.99						599,821.99
2. Increase in current period							
1) Provision							
3. Decrease in current period							
1) Disposal or retirement							
4. Closing balance	599,821.99						599,821.99
IV. Book value							
1. Closing book value	51,430,983.87	492,075,920.64	61,406,856.00	2,674,864.63	23,519,871.95	1,006,283.14	632,114,780.23
2. Opening book value	44,183,358.11	422,427,753.72	70,929,528.88	2,658,271.97	25,771,688.72	1,329,984.32	567,300,585.72

(2). Temporary idle fixed assets

Applicable Not applicable

(3). Fixed assets leased in through financial lease

Applicable Not applicable

(4). Fixed assets leased out through operating lease

Applicable Not applicable

(5). Fixed assets with certificates of titles yet to be obtained

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Book value	Reason for failure to obtain title certificate
House	16,704,707.34	Title certificate of house is being obtained
Total	16,704,707.34	

Other notes:

Applicable Not applicable

20. Construction in progress

(1). Construction in progress

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Phase II of natural gas station				4,036,328.04		4,036,328.04
Phase-II coal-to-gas and industrial park gasification project of Midong district	4,073,840.34		4,073,840.34	27,891,269.98		27,891,269.98
Gas supply capacity expansion project of Wujiaqu				254,107.31		254,107.31
Natural gas transmission and distribution project in north industrial park of Wujiaqu industrial park	591,339.58		591,339.58	571,339.58		571,339.58
Fukang gas supply capacity expansion and Jiuyun street gasification project						
Rural gasification project in Kuqa Yaha town	512,894.49	218,455.63	294,438.86	507,709.30		507,709.30
Kuqa CNG integrated station	659,533.21		659,533.21	363,944.16		363,944.16
Rural gasification project in Hanikatamu Township, Kuqa	697,630.00		697,630.00	540,737.44		540,737.44
Fukang north integrated station				127,748.20		127,748.20

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Item	Closing balance			Opening Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Phase-III natural gas transmission and distribution project as a part of Wujiaqu gas supply capacity expansion (initial station)				2,380,533.36		2,380,533.36
“One town, two villages” natural gas comprehensive utilization project of Urumqi High-tech Zone (new downtown)	8,303,813.06		8,303,813.06			
Other projects	89,220.32		89,220.32			
Total	14,928,271.00	218,455.63	14,709,815.37	36,673,717.37		36,673,717.37

(2). Changes in significant construction in progress in the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Project name	Amount of budgets	Opening Balance	Increase in current period	Amount of fixed assets transferred into in current period	Other decrease in current period	Closing balance	Proportion of accumulated project investment to the budget (%)	Progress of project	Amount of accumulated capitalized interest	Including amount of current capitalized interest	Rate of current interest capitalization (%)	Source of fund
Phase II of natural gas station	86,630,000.00	4,036,328.04	5,686,731.85	9,723,059.89			61.47	61.47				self-owned fund and raised funds
Phase-II coal-to-gas and industrial park gasification project of Midong district	290,000,000.00	27,891,269.98	8,963,683.57	32,781,113.21		4,073,840.34	38.34	38.34				self-owned fund and raised funds
Gas supply capacity expansion project of Wujiaqu	224,680,000.00	254,107.31	16,777,847.72	17,031,955.03			32.73	32.73				self-owned fund and raised funds
Natural gas transmission and distribution project in north industrial park of Wujiaqu industrial park	37,000,000.00	571,339.58	20,000.00			591,339.58	1.54	1.54				self-owned fund and raised funds
Fukang gas supply capacity expansion and Jiuyun street gasification project	146,710,000.00		3,879,115.03	3,879,115.03			19.51	19.51				self-owned fund and raised fund
Rural gasification project in KuqaYaha town	28,860,000.00	507,709.30	5,185.19			512,894.49	1.76	1.76				self-owned fund
Kuqa CNG integrated station	25,080,000.00	363,944.16	295,589.05			659,533.21	2.63	2.63				self-owned fund and raised funds
Rural gasification project in Hanikatamu Township, Kuqa	29,480,000.00	540,737.44	156,892.56			697,630.00	2.71	2.71				self-owned fund and raised funds
Fukang north integrated station	13,000,000.00	127,748.20			127,748.20		0.52	0.52				Self-owned fund
Phase-III natural gas transmission and distribution project as a part of Wujiaqu gas supply capacity expansion (initial station)	29,000,000.00	2,380,533.36	625,331.92	3,005,865.28			10.37	10.37				Self-owned fund
“One town, two villages” natural gas comprehensive utilization project of Urumqi High-tech Zone	618,250,000.00		53,948,971.57	45,645,158.51		8,303,813.06	0.09	0.09				self-owned fund and raised funds

Project name	Amount of budgets	Opening Balance	Increase in current period	Amount of fixed assets transferred into in current period	Other decrease in current period	Closing balance	Proportion of accumulated project investment to the budget (%)	Progress of project	Amount of accumulated capitalized interest	Including amount of current capitalized interest	Rate of current interest capitalization (%)	Source of fund
(new downtown)												
Other projects			1,300,449.79	1,211,229.47		89,220.32						self-owned fund
Total	1,528,690,000.00	36,673,717.37	91,659,798.25	113,277,496.42	127,748.20	14,928,271.00						

(3). Provision for impairment of construction in progress in the current period:

Applicable Not applicable

Other notes

Applicable Not applicable

21. Construction materials

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Special-purpose material	9,915,025.29	
Total	9,915,025.29	

22. Disposal of fixed assets

Applicable Not applicable

23. Productive biological assets**(1). Productive biological assets measured through the cost pattern**

Applicable Not applicable

(2). Productive biological assets measured through the fair value pattern

Applicable Not applicable

Other notes:

Applicable Not applicable

24. Oil and gas assets

Applicable Not applicable

25. Intangible assets**(1). Status of intangible assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Land use rights	Software	Total
I. Original book value			
1. Opening balance	66,980,733.16	915,277.87	67,896,011.03
2. Increase of this period			
(1) Purchase			
(2) Internal R&D			
(3) Increase of business			

Items	Land use rights	Software	Total
combination			
3. Decrease of this period			
(1) Disposal			
4. Closing balance	66,980,733.16	915,277.87	67,896,011.03
II. Accumulated amortization			
1. Opening balance	7,754,006.69	568,135.01	8,322,141.70
2. Increase of this period	1,700,861.20	131,848.37	1,832,709.57
(1) Provision	1,700,861.20	131,848.37	1,832,709.57
3. Decrease of this period			
(1) Disposal			
4. Closing balance	9,454,867.89	699,983.38	10,154,851.27
III. Provision for impairment			
1. Opening balance			
2. Increase of this period			
(1) Provision			
3. Decrease of this period			
(1) Disposal			
4. Closing balance			
IV. Book value			
1. Book value at beginning of the period	57,525,865.27	215,294.49	57,741,159.76
2. Book value at end of the period	59,226,726.47	347,142.86	59,573,869.33

The proportion of intangible assets formed by internal R&D in the balance of intangible assets at the end of this period is 0

(2) Status of land use rights where the certificates of title have not been obtained:

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Book Value	Reason why the certificate of title has not been obtained
Land use rights	15,081,852.92	The obtaining of land use right certificate is in process
Total	15,081,852.92	

Other notes:

Applicable Not applicable

26. Development expenditure

Applicable Not applicable

27. Goodwill**(1). Original book value of good will**

Applicable Not applicable

(2). Provisions for impairment of goodwill

Applicable Not applicable

Please describe the test process and parameters for goodwill impairment as well as the recognition method for goodwill impairment loss

Applicable Not applicable

Other notes:

Applicable Not applicable

28. Long-term deferred expenses

Applicable Not applicable

Items	Opening balance	Decrease of this period	Amortization of this period	Unit: Yuan	Currency: RMB
				Other decreases	Closing balance
Buildings and structures constructed on the leased land	1,217,843.75		136,816.79		1,081,026.96
Courtyard and internal pipeline	15,612,897.50		2,126,489.97		13,486,407.53
Temporary construction and decoration costs	621,018.69	53,992.39	218,006.93		457,004.15
Total	17,451,759.94	53,992.39	2,481,313.69		15,024,438.64

Other notes:

N/A

29. Deferred income tax assets / deferred income tax liabilities**(1). Deferred income tax assets before offsetting**

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Depreciation reserve of assets	11,676,066.79	1,751,410.02	8,921,883.11	1,338,282.46
Unrealized profit of internal transactions	307,209.60	46,081.44		
Deductible loss				
Total	11,983,276.39	1,797,491.46	8,921,883.11	1,338,282.46

(2). Deferred income tax liabilities before offsetting Applicable Not applicable**(3). Deferred income tax assets or liabilities that are presented at the net amount after offset:** Applicable Not applicable**(4). Details of deferred income tax assets before recognition** Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Deductible temporary difference		
Deductible loss	17,473,926.65	27,425,765.35
Depreciation reserves of assets	88,579.88	
Total	17,562,506.53	27,425,765.35

Due to the uncertainty whether the Company can obtain sufficient taxable income in the future or not, the deductible temporary differences and deductible losses are not recognized as deferred income tax assets.

(5). The deductible losses of unrecognized deferred income tax assets will expire in the following financial years Applicable Not applicable

Unit: Yuan Currency: RMB

Financial Year	Closing Balance	Opening balance	Remarks
2017		9,644,002.41	
2018	2,124,412.21	2,309,995.14	
2019	4,070,820.16	4,074,927.06	
2020	4,594,143.73	4,595,167.10	
2021	4,350,487.39	6,801,673.64	
2022	2,334,063.16		
Total	17,473,926.65	27,425,765.35	/

Other notes:

 Applicable Not applicable**30. Other non-current assets** Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Prepayment for land purchases	6,744,304.88	6,744,304.88
Prepayment for equipment	866,600.00	
Total	7,610,904.88	6,744,304.88

31. Short-term borrowings**(1). Classification of short-term borrowings**

Applicable Not applicable

(2). Short-term borrowings overdue but not yet repaid

Applicable Not applicable

Of which, the important short-term borrowings overdue but not yet repaid are set out below:

Applicable Not applicable

Other notes:

Applicable Not applicable

32. Financial liabilities at fair value through profit or loss

Applicable Not applicable

33. Derivative financial liabilities

Applicable Not applicable

34. Notes payable

Applicable Not applicable

35. Accounts payable**(1). Accounts payable is set out below:**

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Natural gas cost	10,185,207.55	
Equipment and construction cost	69,631,216.10	46,266,696.96
Purchase of raw materials etc.	37,476,301.06	21,376,328.29
Others	3,027,332.14	3,621,414.45
Total	120,320,056.85	71,264,439.70

(2). Important accounts payable aged over 1 year

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Reasons for not repaid or carried over
Jiangsu Tianli Construction Group Co., Ltd. (江蘇天力建設集團有限公司)	2,111,043.73	The settlement time has not been reached
Gansu No.1 Installation Engineering Company (甘肅第一安裝工程有限公司)	1,965,316.90	The settlement time has not been reached

Xinjiang Branch of Sichuan Lingzhong Construction Engineering Co., Ltd.(四川凌眾建設工程有限公司新疆分公司)	2,076,809.33	The quality guarantee deposit is not due for repayment
Total	6,153,169.96	/

Other notes

Applicable Not applicable

36. Advances from customers

(1). Advances from customers are set out below:

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Sales of natural gas	91,784,032.40	70,953,775.25
Labor service for in-house installation	36,512,779.45	46,339,207.24
Others	37,378.54	25,620.61
Total	128,334,190.39	117,318,603.10

(2). Important advances from customers aged over 1 year

Applicable Not applicable

(3). The uncompleted projects that have been settled in the construction contracts at the end of the period are set out below:

Applicable Not applicable

Other notes:

Applicable Not applicable

37. Employee benefits payable

(1). Employee benefits payable are set out below:

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase of this period	Decrease of this period	Closing balance
I. Short-term employee benefits	10,706,199.09	62,410,661.48	60,616,691.31	12,500,169.26
II. Post-employment benefits-defined contribution plans		5,952,203.45	5,952,203.45	
III. Unemployment benefits				
IV. Other benefits due within 1 year				
Total	10,706,199.09	68,362,864.93	66,568,894.76	12,500,169.26

(2). Short-term employee benefits are set out below:

√ Applicable □ Not applicable

Items	Opening balance	Increase of this period	Unit: Yuan		Closing balance
			Decrease of this period	Currency: RMB	
I. Salaries, bonus, allowances and subsidies	10,031,786.84	54,120,907.80	52,271,326.30		11,881,368.34
II. Staff welfare		1,791,522.69	1,782,242.22		9,280.47
III. Social insurance premiums		3,275,528.16	3,275,528.16		
Including: Medical insurance		2,791,331.20	2,791,331.20		
Work injury insurance		296,914.87	296,914.87		
Maternity insurance		187,282.09	187,282.09		
IV. House provident fund		1,830,072.00	1,830,072.00		
V. Union dues and staff training expenses	674,412.25	1,392,630.83	1,457,522.63		609,520.45
VI. Short-term compensated absences					
VII. Short-term profit-sharing plans					
Total	10,706,199.09	62,410,661.48	60,616,691.31		12,500,169.26

(3). The defined contribution plans are set out below:

√ Applicable □ Not applicable

Items	Opening balance	Increase of this period	Unit: Yuan		Closing balance
			Decrease of this period	Currency: RMB	
1. Basic pension insurance		5,755,365.83	5,755,365.83		
2. Unemployment insurance		196,837.62	196,837.62		
3. Enterprise annuity					
Total		5,952,203.45	5,952,203.45		

The employees of the Company participate in the basic social pension insurance and unemployment insurance organised and implemented by local labour and social security authorities. The Company makes monthly insurance premiums for its employees to local basic social pension authorities based on the basic social pension insurance and unemployment insurance contribution base and ratio required by local authorities. When the employees retire or are unemployed, local labour and social security authorities have an obligation to pay the entire basic social pensions for retired employees or pay the unemployment compensation for unemployed employees. When an employee has rendered service to the Company during the accounting period, the Company recognizes the payable amount calculated based on the above-mentioned provisions of social insurance as liabilities, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

Other notes:

Applicable Not applicable

38. Taxes payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value-added taxes payable	1,285,369.37	1,544,638.37
Consumption taxes payable		
Business taxes payable		
Enterprise income taxes payable	18,835,614.46	16,436,249.16
Individual income taxes payable	179,341.75	48,852.15
Urban maintenance and construction taxes payable	86,213.20	98,332.77
Education surcharges payable	43,101.23	53,660.05
Local education surcharges payable	28,734.17	33,137.33
Others	141,434.75	57,341.10
Total	20,599,808.93	18,272,210.93

Other notes:

N/A

39. Interests payable

Important interests overdue but not yet paid are set out below:

 Applicable Not applicable

Other notes:

 Applicable Not applicable**40. Dividends payable** Applicable Not applicable**41. Other accounts payable****(1). Other accounts payable are set out below according to their nature:** Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Collections and payments on behalf of others	22,973.15	2,957.99
Deposits / security deposits	4,610,001.62	5,883,818.97
Others payable	1,901,043.85	3,990,041.76
Total	6,534,018.62	9,876,818.72

(2). Other important accounts payable aged over 1 year Applicable Not applicable

Other notes:

 Applicable Not applicable**42. Liabilities held for sales** Applicable Not applicable**43. Non-current liabilities due within 1 year** Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within 1 year		28,000,000.00
Bonds payable due within 1 year		
Long-term accounts payable due within 1 year		
Total		28,000,000.00

44. Other current liabilities

Other current liabilities

 Applicable Not applicable

Change in short-term bonds payable:

 Applicable Not applicable

Other notes:

 Applicable Not applicable**45. Long-term borrowings****(1). Classification of long-term borrowings** Applicable Not applicable

Other notes including interest rate range:

 Applicable Not applicable**46. Bonds payable****(1). Bonds payable** Applicable Not applicable**(2). Changes in bonds payable (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)** Applicable Not applicable**(3). Explanations for the conversion conditions and the conversion time of convertible bonds:** Applicable Not applicable**(4). Explanations for other financial instruments classified as financial liabilities:**

Basic information of other financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period

 Applicable Not applicable

Changes of other financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period

 Applicable Not applicable

Explanations of the basis for other financial instruments classified as financial liabilities

 Applicable Not applicable

Other notes:

 Applicable Not applicable

47. Long-term accounts payable

(1). The long-term accounts payable are set out below according to their nature:

 Applicable Not applicable**48. Long-term employee benefits payable** Applicable Not applicable**49. Special accounts payable** Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase of this period	Decrease of this period	Closing balance	Reasons
Spread of natural gas for vehicles	46,486,877.40	15,746,060.11	7,063,467.86	55,169,469.65	
Total	46,486,877.40	15,746,060.11	7,063,467.86	55,169,469.65	/

Other notes:

According to the *Notice of on Adjusting the Sales Prices of Natural Gas for Non-resident Users and Natural Gas for Social Vehicle Uses* (WU FA GAI GONG JIA [2011] No. 772) issued by the Urumqi Municipal Development and Reform Commission, due to the implementation of the ratio of natural gas / gasoline of 0.6:1, the increase of sales price of natural gas for social vehicle use was greater than the increase of ex-factory benchmark price of natural gas, the incomes obtained from the spreads between the increased amount of sales price and the increased amount of purchasing price for natural gas for social vehicle use must be turned over to the finance bureau.

According to the *Notice on Interim Measures for the Collection, Use and Management of Spreads Income of Natural Gas for Social Vehicle Use in Urumqi* (WU FA GAI GONG JIA [2012] No. 248) jointly issued by the Urumqi City Development and Reform Commission and the Urumqi Finance Bureau, it stipulates that “spreads income” shall be collected by enterprises, and each gas filling enterprise (gas filling station) shall conduct the financial accounting by including the spreads income in the “Special Accounts Payable”. The subsidiaries of the Company which are located in Urumqi turned over the spreads incomes according to the regulations of the above documents.

Other five subsidiaries of the Company, namely Wujiaqu Xintai Gas Co., Ltd. (五家渠市鑫泰燃氣有限責任公司), Fukang Xintai Gas Co., Ltd. (阜康市鑫泰燃氣有限責任公司), Bohu County Xintai Gas Co., Ltd. (博湖縣鑫泰燃氣有限責任公司), Yanqi County Xintai Gas Co., Ltd. (焉耆縣鑫泰燃氣有限責任公司) and Hoxud County Xintai Gas Co., Ltd. (和碩縣鑫泰燃氣有限責任公司), conducted the financial accounting on the spreads incomes payable according to the relevant documents regarding “Spreads Income” issued by local governments.

50. Estimated liabilities Applicable Not applicable**51. Deferred income**

Deferred income

 Applicable Not applicable

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Unit: Yuan Currency: RMB

Items	Opening balance	Increase of this period	Decrease of this period	Closing balance	Reasons
Government subsidy	398,679.03	10,890,000.00	413,008.73	10,875,670.30	Subsidies for projects related to assets
Total	398,679.03	10,890,000.00	413,008.73	10,875,670.30	/

Projects involved in government subsidies:

 Applicable Not applicable

Unit: Yuan Currency: RMB

Liabilities projects	Opening balance	Increased subsidies of this period	Amount included in the non-operating income in this period	Other changes	Closing balance	Related to assets/income
Subsidies for the Chengxi Gas Station Project of Kuqa County	398,679.03		10,008.72		388,670.31	Related to assets
Subsidies for the Urban Natural Gasification Project of Kuqa County		5,090,000.00	169,666.70		4,920,333.30	Related to assets
Central government incentive fund for village gasification projects in the demonstration cities of energy conservation and emission reduction		5,000,000.00	200,000.00		4,800,000.00	Related to assets
Special funds for pipeline rectification		800,000.00	33,333.31		766,666.69	Related to assets
Total	398,679.03	10,890,000.00	413,008.73		10,875,670.30	/

Other notes:

 Applicable Not applicable**52. Other non-current liabilities** Applicable Not applicable**53. Share capital** Applicable Not applicable

Unit: Yuan Currency: RMB

	Opening balance	This change (+/-)				Subtotal	Closing balance
		New issue of shares	Bonus shares	Shares converted from surplus reserve	Others		
Total shares	160,000,000.00					160,000,000.00	

Other notes:

Note 1: According to relevant regulations, the restricted shares held by 44 shareholders of initial public offering such as Wuxi Hengtai Jiuding Assets Management Center (Limited Partnership) (無錫恒泰九鼎資產管理中心(有限合夥)) and Yin Xianfeng, were listed in circulation on the expiry date of 12 September 2017 after 12-months restriction period since the listing date of the Company's shares. The Company's restricted shares were reduced by 55,644,696 shares. Increased to 55,644,696 shares, so no change was made in the total share capital. For details, please refer to the Announcement (No. "2017-027") of the Xinjiang Xintai (603393) published on 7 September 2017.

Note 2: As of December 31, 2017, the Company's restricted shares of 31,015,291.00 shares held by the actual controller, Ming Mingyuan, were used for pledge financing (the Company's No. 2018-003 Announcement showed that, the above-mentioned pledged shares were increased by 2,420,000 shares on 6 February 2018, with the cumulative number of 33,435,291 shares). And, the Company's restricted shares of 230,000.00 shares, 98,700.00 shares and 64,500.00 shares held by the Company's shareholders of Ming Shangyuan, Wang Bin and Guo Zhihui respectively, were used for pledge financing.

54. Other equity instruments**(1). Basic information of other financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period**

Applicable Not applicable

(2). Table for changes of financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period

Applicable Not applicable

Explanations for changes and relevant reasons of other equity instruments in this period, as well as the basis for the related accounting treatment:

Applicable Not applicable

Other notes:

Applicable Not applicable

55. Capital reserves

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase of this period	Decrease of this period	Closing balance
Capital premium (share premium)	1,145,970,684.54			1,145,970,684.54
Other capital reserves	24,771,686.35			24,771,686.35
Total	1,170,742,370.89			1,170,742,370.89

56. Treasury stock

Applicable Not applicable

57. Other comprehensive income

Applicable Not applicable

58. Special reserves

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase of this period	Decrease of this period	Closing balance
Safety production costs	43,934,926.68	11,807,312.24	10,014,734.44	45,727,504.48
Total	43,934,926.68	11,807,312.24	10,014,734.44	45,727,504.48

59. Surplus reserve

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserve	75,572,354.09	24,271,917.79		99,844,271.88
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	75,572,354.09	24,271,917.79		99,844,271.88

Description of the surplus reserve, including changes in the current period and explanations of the reasons for the changes:

According to the Corporation Law and the Company's Articles of Association, the Company withdraws the statutory surplus reserve based on 10% of the annual net profit, and when the cumulative amount of the statutory surplus reserve exceeds 50% of the registered capital, there is no need to make more withdrawal. After approval, the statutory surplus reserve can be used to cover the deficit or increase the capital stock. In the year of 2017, the Company has withdrawn a statutory surplus reserve of RMB24,271,917.79 based on 10% of net profit.

60. Undistributed profits

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	For the current period	For the prior period
Undistributed profits at the end of last period before adjustment	337,949,894.81	271,523,866.97
Total amount of undistributed profits at the beginning of the adjustment period (increase +, decrease -)		
Undistributed profits at the beginning of the period after adjustment	337,949,894.81	271,523,866.97

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Plus: Net profits attributable to owners of the parent company during the current period	263,697,411.03	203,361,813.17
Minus: Withdrawal of statutory surplus reserve	24,271,917.79	16,935,785.33
Withdrawal of discretionary surplus reserve		
Withdrawal of generic risk reserve		
Common stock dividends payable	112,000,000.00	120,000,000.00
Dividends on ordinary shares transferred to capital		
Undistributed profits at the end of the period	465,375,388.05	337,949,894.81

Details of undistributed profits at the beginning of the adjustment period:

1. Due to the retrospective adjustment based on the “Accounting Standards for Business Enterprises” and its related new regulations, the affected undistributed profit at the beginning of the period is RMB0.
2. Due to changes of accounting policies, the affected undistributed profit at the beginning of the period is RMB0.
3. Due to correction of major accounting errors, the affected undistributed profit at the beginning of the period is RMB0.
4. Due to changes in the scope of consolidation caused by common control, the affected undistributed profit at the beginning of the period is RMB0.
5. The total undistributed profit at the beginning of the period affected by other adjustments is RMB0.

61. Operating revenue and operating costs

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period		Amount accounted for in the previous period	
	Earning	Cost	Earning	Cost
Main business	1,014,683,618.74	685,428,562.64	912,340,799.22	624,654,546.05
Other business	1,527,422.71	1,055,845.06	2,165,941.38	575,538.82
Total	1,016,211,041.45	686,484,407.70	914,506,740.60	625,230,084.87

62. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Consumption tax		
Business tax	708,708.56	1,659,629.03
Urban maintenance and construction tax	2,338,791.26	2,006,116.97
Extra charges of education funds	1,846,948.91	1,721,468.00
Resource tax		
House property tax	401,706.26	265,516.45
Land use tax	1,204,820.12	692,565.56
Vehicle and vessel use tax	126,851.92	69,076.34
Stamp tax	457,780.16	897,008.67
Others	379,262.15	
Total	7,464,869.34	7,311,381.02

Other notes:

On December 3, 2016, the Ministry of Finance issued the Provisions on the Accounting Treatment of Value-added Tax (Cai Kuai [2016] No. 22), which requests that the “business tax and surcharges” item in the income statement be adjusted to “taxes and surcharges” item, and accounting contents be adjusted to the consumption tax, urban maintenance and construction tax, resource tax, extra charges of education funds and house property tax, land use tax, vehicle and vessel use tax and stamp tax etc. incurred by the business activities of enterprises. These provisions shall be implemented as of the date of issuance. If the relevant provisions of the unified national accounting system are inconsistent with these provisions, these provisions shall prevail.

63. Selling expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Employee compensation	14,822,179.58	11,481,794.80
Depreciation expenses	1,165,450.98	1,139,822.38
Repair charge	459,221.45	186,667.57
Office expenses	51,832.18	50,910.69
Labor protection fees	35,118.53	90,407.24
Travel expenses	44,247.67	28,797.81
Automobile expenses	96,615.21	141,237.08
Utilities fees	41,597.55	105,954.44
Others	568,523.69	893,943.29
Total	17,284,786.84	14,119,535.30

64. Administrative expenses

√ Applicable □ Not applicable

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Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Employee compensation	28,337,814.07	26,997,622.29
Business entertainment expenses	1,965,314.68	3,601,208.72
Depreciation expenses	2,812,360.02	2,367,762.89
Agent commission and consulting fees	1,747,341.68	784,919.51
Tax expenses		1,036,613.43
Low-value consumables	321,780.87	193,532.36
Office expenses	1,060,459.99	935,241.64
Automobile expenses	1,029,516.15	856,193.83
Travel expenses	1,195,579.65	1,821,527.45
Amortization of intangible assets	1,832,709.57	1,857,263.00
Others	2,521,043.41	3,301,425.04
Total	42,823,920.09	43,753,310.16

65. Financial expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Interest expenses	387,916.67	3,561,439.58
Minus: interest income	-6,821,413.49	-3,018,014.06
Others/financial commission charges	83,682.48	99,898.44
Total	-6,349,814.34	643,323.96

66. Assets impairment loss

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
1. Bad debt loss	2,842,763.56	2,285,790.68
2. Loss on inventory falling price		
3. Impairment loss on available-for-sale financial assets		
4. Impairment loss on held-to-maturity investment		
5. Impairment loss on long-term equity investment		
6. Impairment loss on investment property		
7. Impairment loss on fixed assets		
8. Impairment loss on construction supplies		
9. Impairment loss on construction in progress		
10. Impairment loss on productive biological assets		
11. Impairment loss on oil and gas assets		
12. Impairment loss on intangible assets		
13. Goodwill impairment loss		
14. Others		
Total	2,842,763.56	2,285,790.68

67. Income from changes in fair value

Applicable Not applicable

68. Income from investment

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Investment income from available-for-sale financial assets, etc.	71,226.09	71,226.09
Income from bank financial products	15,469,514.07	
Total	15,540,740.16	71,226.09

69. Non-operating income

Non-operating income situation

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period	Amount included in non-recurring profit and loss of the current period
Government subsidy		22,069,239.86	
Others	67,549.37	77,463.29	67,549.37
Total	67,549.37	22,146,703.15	67,549.37

Government subsidies included in the current profit and loss

Applicable Not applicable

Unit: Yuan Currency: RMB

Subsidy items	Amount accounted for in the current period	Amount accounted for in the previous period	Asset-related/ income-related
Compensation for Kuqa County West Gas Station Project		10,008.72	Asset-related
Social insurance subsidies		258,892.37	Income-related
Natural gas sales spread subsidies		20,200,338.77	Income-related
Listing bonus		1,200,000.00	Income-related
Subsidies for upfront expenses of PPP project		400,000.00	Income-related
Total		22,069,239.86	/

Other notes:

Applicable Not applicable

70. Non-operating expenditure

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period	Amount included in non-recurring profit and loss of the current period
Total losses on disposal of non-current assets			
Among: Loss on disposal of fixed assets			
Loss on disposal of intangible assets			
Losses from debt restructuring			
Losses on non-monetary asset exchange			
External donation	562,600.00	1,019,960.00	562,600.00
Fines forfeits and penalty expenditure		15,683.79	
Others	541,105.74	67,488.91	541,105.74
Total	1,103,705.74	1,103,132.70	1,103,705.74

71. Income tax expenses**(1). Statement of income tax expenses**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Current income tax expenses	46,902,793.61	39,234,666.98
Deferred income tax expenses	-459,209.00	-342,805.54
Total	46,443,584.61	38,891,861.44

(2). Adjustment process of accounting profits and income tax expenses:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period
Total profit	310,140,995.64
Income tax expenses at legal/applicable tax rates	77,535,248.91
Impact of different tax rates applied to subsidiaries	-31,014,099.56
Impact of adjustment of income tax at the previous period	129,022.93
Impact of non-taxable income	
Impact of non-deductible costs, expenses and losses	1,941,923.73
Impact of use of deductible losses of unrecognized deferred income tax assets in the previous period	-2,498,620.88
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	350,109.47
Income tax expenses	46,443,584.61

Other notes:

 Applicable Not applicable**72. Other comprehensive income** Applicable Not applicable**73. Items of the cash flow statement****(1). Other cash received relating to operating activities:** Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Current amount	26,931,659.76	982,230.01
Government grants	20,197,348.76	18,128,251.52
Financial expenses—interest income	6,821,366.79	3,018,014.06
Agency fund of natural gas spread	8,682,592.25	3,116,467.01
Others	2,632,436.57	1,780,095.61
Returned amount of collected personal income tax		5,189,067.53
Total	65,265,404.13	32,214,125.74

(2). Other cash paid relating to operating activities: Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Current amount	25,361,052.43	3,938,749.20
Agent commission and consulting fees	1,747,341.68	784,919.51
Business entertainment expenses	1,925,619.52	3,601,208.72
Repair charge	842,853.64	593,441.88
Automobile expenses	937,349.98	1,020,793.03
Labor protection fees	49,527.89	499,101.12
Office expense	1,070,386.55	986,152.33
Travel expenses	1,124,127.65	1,850,325.26
Special reserve	2,576,423.20	5,626,224.84
Others	5,917,183.68	4,134,093.11
Returned amount of paid personal income tax		5,189,067.53
Total	41,551,866.22	28,224,076.53

(3). Other cash received relating to investment activities: Applicable Not applicable**(4). Other cash paid relating to investment activities:** Applicable Not applicable**(5). Other cash received relating to financing activities:** Applicable Not applicable

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Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
Project subsidies	10,890,000.00	
Total	10,890,000.00	

(6). Other cash paid relating to financing activities:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount accounted for in the current period	Amount accounted for in the previous period
IPO issuance cost		7,678,978.93
Total		7,678,978.93

74. Additional data of cash flow statement**(1). Additional data of cash flow statement**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Additional data	Current period	Previous period
1. Adjust net profit as operating activity cash flow:		
Net profit	263,697,411.03	203,361,813.17
Plus: Preparation for impairment of assets	2,842,763.56	2,285,790.68
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	53,863,021.75	51,931,324.25
Amortization of intangible assets	1,832,709.57	1,857,263.00
Amortization of long-term unamortized expenses	2,481,313.69	2,518,907.07
Losses on disposal of fixed assets, intangible assets and other long-term assets (revenues are marked with “-”)	-641,131.42	24,436.54
Losses on scrapped fixed assets (revenues are marked with “-”)		
Losses on changes in fair value change (revenues are marked with “-”)		
Financial expenses (revenues are marked with “-”)	387,916.67	3,561,439.58
Investment losses (revenues are marked with “-”)	-15,540,740.16	-71,226.09
Decreases of deferred income tax assets (increases are marked with “-”)	-459,209.00	-342,805.54
Increases of deferred income tax liabilities (decreases are marked with “-”)		
Decreases of inventory (increases are marked with “-”)	-11,439,667.38	-1,961,276.57
Decreases of operating receivables (increases are marked with “-”)	54,544,765.95	-14,086,094.89
Increases of operating payables (decreases are marked with “-”)	-60,937,821.05	9,796,956.25

Additional data	Current period	Previous period
Others	1,379,569.07	3,537,300.78
Net cash flow from operating activities	292,010,902.28	262,413,828.23
2. Major investment and fundraising activities that do not involve cash receipt and payment:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	974,188,338.21	399,454,309.83
Minus: Opening balance of cash	399,454,309.83	232,562,636.73
Plus: Ending balance of cash equivalents		
Minus: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	574,734,028.38	166,891,673.10

(2). Net cash paid for acquisition of subsidiaries during the current period

Applicable Not applicable

(3). Net cash received from disposal of subsidiaries during the current period

Applicable Not applicable

(4). Composition of cash and cash equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Ending balance	Opening balance
1. Cash	974,188,338.21	399,454,309.83
Among: Cash on hand	40,685.12	46,883.02
Bank deposits available for payment at any time	974,147,653.09	399,407,426.81
Other currency funds available for payment at any time		
Central bank deposits available for payment		
Deposits in other banks		
Call loans to banks		
2. Cash equivalents		
Among: Bond investment due within three months		
3. Balance of cash and cash equivalents at the end of the period	974,188,338.21	399,454,309.83
Among: Restricted cash and cash equivalents used by parent company or subsidiaries of the Group		

Other notes:

Applicable Not applicable

75. Notes on items of owner's equity change statement

Explain the name of the "Others" items for adjustment of ending balance at the end of the previous year and the amount of adjustments:

Applicable Not applicable

76. Assets with limited ownership or use rights

Applicable Not applicable

77. Foreign currency monetary items**(1). Foreign currency monetary items:**

Applicable Not applicable

(2). Explain the overseas operating entities. For important overseas operating entities, the major business places, bookkeeping base currency and the basis for selection shall be disclosed, and the reasons for the changes in the bookkeeping base currency shall also be disclosed.

Applicable Not applicable

78. Hedging

Applicable Not applicable

79. Government subsidies**(1). Basic situations of government subsidies**

Applicable Not applicable

(2). Return of government subsidies

Applicable Not applicable

80. Others

Applicable Not applicable

VIII. Changes of scope of consolidation**(1). Merger of enterprises not under common control**

Applicable Not applicable

(2). Merger of enterprises under common control

Applicable Not applicable

(3). Counter purchase

Applicable Not applicable

(4). Disposal of subsidiaries

Whether there is a single disposal of investments in subsidiaries and loss of control

Applicable Not applicable

Other notes:

Applicable Not applicable

Whether there is a step-by-step disposal of investments in subsidiaries through multiple transactions and loss of control in this period

Applicable Not applicable

5. Changes in the scope of consolidation due to other reasons

Explain the changes in the scope of consolidation due to other reasons (e.g. newly established subsidiaries and clearing of subsidiaries etc.) and the related conditions:

Applicable Not applicable

6. Others

Applicable Not applicable

IX Equity in Other Entities**1. Equity in Subsidiaries****(1). Composition of the Corporate Group**

Applicable Not applicable

Subsidiary Name	Main Business Place	Registration Place	Business Nature	Shareholding Ratio (%)		Acquisition Method
				Direct	Indirect	
Urumqi Xintai Gas Co., Ltd. (烏魯木齊市鑫泰燃氣有限責任公司)	Urumqi City, Xinjiang	Urumqi City, Xinjiang	Sales of natural gas	100.00		Under common control
Miquan Xintai Gas Co., Ltd. (米泉市鑫泰燃氣有限責任公司)	Midong District, Urumqi City, Xinjiang	Midong District, Urumqi City, Xinjiang	Sales of natural gas	100.00		Under common control
Urumqi Xintai Compressed Gas Co., Ltd. (新疆鑫泰壓縮天然氣有限責任公司)	Urumqi City, Xinjiang	Urumqi City, Xinjiang	Sales of natural gas	100.00		Newly established
Fukang Xintai Gas Co., Ltd. (阜康市鑫泰燃氣有限責任公司)	Fukang City, Xinjiang	Fukang City, Xinjiang	Sales of natural gas	100.00		Under common control
Kuqa County Xintai Gas Co., Ltd. (庫車縣鑫泰燃氣有限責任公司)	Kuqa County, Xinjiang	Kuqa County, Xinjiang	Sales of natural gas	100.00		Under common control
Bohu County Xintai Gas Co., Ltd. (博湖縣鑫泰燃氣有限責任公司)	Bohu County, Xinjiang	Bohu County, Xinjiang	Sales of natural gas	100.00		Under common control
Yanqi County Xintai Gas Co., Ltd. (焉耆縣鑫泰燃氣有限責任公司)	Yanqi County, Xinjiang	Yanqi County, Xinjiang	Sales of natural gas	100.00		Under common control
Hoxud County Xintai Gas Co., Ltd. (和碩縣鑫泰燃氣有限責任公司)	Hoxud County, Xinjiang	Hoxud County, Xinjiang	Sales of natural gas	100.00		Under common control

Subsidiary Name	Main Business Place	Registration Place	Business Nature	Shareholding Ratio (%)		Acquisition Method
				Direct	Indirect	
Wujiaqu Xintai Gas Co., Ltd. (五家渠市鑫泰燃气有限责任公司)	Wujiaqu City, Xinjiang	Wujiaqu City, Xinjiang	Sales of natural gas	100.00		Under the same control
Urumqi Xintai Changtong Transportation Co., Ltd. (乌鲁木齐市鑫泰长通运输有限公司)	Urumqi City, Xinjiang	Urumqi City, Xinjiang	Transportation services	100.00		Newly established
Urumqi Xintai Jinggong Construction Engineering Co., Ltd. (乌鲁木齐市鑫泰精工建设工程有限公司)	Urumqi City, Xinjiang	Urumqi City, Xinjiang	Pipe installation	100.00		Newly established
Urumqi Xintai Yurong Gas Co., Ltd. (乌鲁木齐市鑫泰裕荣燃气有限公司)	High-tech Zone, Urumqi City, Xinjiang	High-tech Zone, Urumqi City, Xinjiang	Sales of natural gas	100.00		Newly established

(2). Major non-wholly-owned subsidiaries

Applicable Not applicable

(3). Financial information of major non-wholly-owned subsidiaries

Applicable Not applicable

(4). Major restrictions on the use of the Corporate Group's assets and the liquidation of the Corporate Group's debts:

Applicable Not applicable

(5). Financial support or other support provided to the structured entities included in the scope of consolidated financial statements:

Applicable Not applicable

Other notes:

Applicable Not applicable

2. Transactions when the shareholders' equity proportion has changed in a subsidiary but such shareholders still control such subsidiary:

Applicable Not applicable

3. Equities in joint or associated enterprises

Applicable Not applicable

4. Major joint operation

Applicable Not applicable

5. Equities in the structured entities not included in the scope of consolidated financial statements

Description of the structured entities not included in the scope of consolidated financial statements:

Applicable Not applicable

6. Others

Applicable Not applicable

X Risks Related to Financial Instruments

Applicable Not applicable

The Company's major financial instruments include monetary funds, available-for-sale financial assets and loans etc. The main purposes of these financial instruments are to finance the Company's operations. The Company also has a variety of other financial assets and liabilities that arise directly from operations, such as accounts receivable and accounts payable.

The main risks caused by the Company's financial instruments are credit risk, liquidity risk and market risk

1. Financial Instruments

The Company's financial assets mainly include monetary funds, accounts receivable, other receivables, other current assets and available-for-sale financial assets. The financial liabilities mainly include accounts payable, other payables, interest payable, non-current liabilities due within one year and long-term loans, etc.

2. Credit Risk

Credit Risk refers to the risk that one party of a financial instrument cannot perform its obligations and cause financial losses to the other party.

The Company only deals with approved and reputable third parties. According to the Company's policy, all the customers requesting to make transactions in the credit mode shall be reviewed. In addition, the Company continuously monitors the balance of accounts receivable to ensure that the Company is not exposed to material bad debt risks.

Other financial assets of the Company include monetary funds, available-for-sale financial assets and other account receivable, etc. The credit risk of these financial assets arises from counterparty defaults, and the maximum risk exposure is equal to the carrying amount of these instruments. The book value of accounts receivable in the consolidated balance sheet is the highest credit risk which the Company may be exposed to. The Company continuously monitors the balance of accounts receivable to ensure that it will not be exposed to major bad debt risks. The Company is not exposed to significant credit concentration risks.

For the quantitative data of credit risk exposures of the Company due to accounts receivable and other accounts receivable, refer to the disclosure of "5.Accounts Receivable" and "9.Other Receivables" of VII Notes for Consolidated Financial Statement Items of this section.

3. Liquidity Risk

Liquidity risk refers to the risk of shortage of funds when an enterprise fulfills its obligations to settle cash or other financial assets. Each subsidiary of the Company is responsible for monitoring of the forecasts of its own cash flows. The headquarters' finance department, on the basis of summarizing the cash flow forecasts of each subsidiary, continuously monitors short-term and long-term capital requirements at the Group level to ensure that sufficient cash reserves are

maintained; and it also continuously monitors whether the terms of the loan agreement are met, and obtain the commitment from major financial institutions to provide sufficient standby funds to meet the short-term and long-term funding needs.

The maturity period of the financial liabilities at the end of the period based on undiscounted contractual cash flows is analyzed as follows:

Item	Financial Liabilities				Total
	Up to 1 year (incl. the same hereafter)	1 to 2 years	2 to 3 years	Above 3 years	
Accounts payable	120,320,056.85				120,320,056.85
Other accounts payable	6,534,018.62				6,534,018.62
Total	126,854,075.47				126,854,075.47

4. Market Risk

Market risk refers to the risks that the fair value or future cash flow of a financial instrument will fluctuate due to change in market prices, including exchange rate risk, interest rate risk and other price risks.

(1) Exchange Rate Risk

None

(2) Interest Rate Risk

None

(3) Other Price Risks

Other price risks refer to the risks of fluctuations due to change of market prices other than the exchange rate risk and the interest rate risk, no matter whether the change is caused by the factors related to individual financial instruments or their issuers, or by the factors related to all similar financial instruments the transactions of which are carried out in the market.

The Company is not exposed to other price risks currently.

XI. Disclosure of Fair Value

1. Final fair value of assets and liabilities measured at fair value

Applicable Not applicable

2. Basis for determination of the market value of sustained and non-sustained first-hierarchy fair value measuring items

Applicable Not applicable

3. Qualitative and quantitative information of valuation techniques and important parameters used in sustained and non-sustained second-hierarchy fair value measuring items

Applicable Not applicable

4. Qualitative and quantitative information of valuation techniques and important parameters used sustained and non-sustained third-hierarchy fair value measuring items

Applicable Not applicable

5. Adjustment information and unobservable parameter sensitivity analysis of the book value at the beginning and the end of period for sustained third-hierarchy fair value measuring items

Applicable Not applicable

6. Conversion reasons and policies to determine the conversion time for the sustained fair value measuring items to which a conversion between hierarchies occurs in the current period.

Applicable Not applicable

7. Changes in valuation techniques in the current period and reasons for such changes

Applicable Not applicable

8. Fair values of the financial assets and financial liabilities not measured at fair value

Applicable Not applicable

9. Others

Applicable Not applicable

XII. Related Parties and Related Transactions**1. Information about the Company's Parent Company**

Applicable Not applicable

2. Information about the Company's subsidiaries

The details of The Company's subsidiaries are detailed in the notes.

Applicable Not Applicable

Refer to Section IX Equity in Other Entities for the subsidiaries' basic information and relevant information.

3. Information about the Company's joint and associated enterprises

Refer to the notes for the situation of the major joint and associated enterprises of the Company.

Applicable Not applicable

The situations of other joint or associated enterprises which have made a related-party transaction with the Company in the current period, or previously and the balances have formed are as follows.

Applicable Not applicable

Other notes:

Applicable Not applicable

4. Information about other related parties

Applicable Not Applicable

Names of other related parties	Relations between other related parties and the Company
Chengdu Nanshan Culture Communication Co., Ltd. (成都南山文化傳播有限公司)	Other relation
Xinjiang Zhongqi Equity Investment and Management Co. Ltd.(新疆中企股權投資管理有限公司)	Other relation
Zhongtianyun Accounting Firm (Special General Partnership), Xinjiang Branch (中天運會計師事務所(特殊普通合夥)新疆分所)	Other relation
Xinjiang Xingguo Real Estate Development Co., Ltd. (新疆興國房地產開發有限公司)	Other relation
Xinjiang Xinghua Fujiang Internet Financial Services Co., Ltd. (新疆興華富疆互聯網金融服務有限公司)	Other relation
Xinjiang Kunlun Heyu Investment Management Co., Ltd. (新疆昆侖和玉投資管理有限公司)	Other relation
Xinjiang Hualing Agriculture and Animal Husbandry Information Technology Co., Ltd. (新疆華凌農牧資訊科技有限公司)	Other relation
Xinjiang Zhongji Xintai Jinshi Mining Investment Development Co., Ltd. (新疆中稷鑫泰金石礦業投資開發有限公司)	Related person (with the same general manager of the Company)
Xinjiang Xintai Investment (Group) Real Estate Development Co., Ltd. (新疆鑫泰投資(集團)房地產開發有限公司)	Related person (with the same general manager of the Company)
Sichuan Taikang Mingxin Investment Development Co., Ltd. (四川泰康明鑫投資開發有限責任公司)	Related person (with the same president of the Company)
Xinjiang Hanjiang Xingji Investment Co., Ltd. (新疆翰疆星際投資有限責任公司)	Related person (with the same president of the Company)
Deyang Dexin Investment Co., Ltd. (德陽市德鑫投資有限責任公司)	Other relation
Hanyuan Junlei Technology Co., Ltd. (漢源俊磊科技有限公司)	Other relation
Xinjiang Yiyuan Property Services Co., Ltd. (新疆怡苑物業服務有限公司)	Other relation

5. Related Transactions**(1). Related transactions for purchase and sale of goods, provision and acceptance of services**

Information about purchase of goods as well as provision and acceptance of services

 Applicable Not applicable

Information about sales of goods as well as provision and acceptance of services

 Applicable Not applicable

Description of related transactions for purchase and sale of merchandise as well as provision and acceptance of labor services

 Applicable Not applicable**(2). Related entrusted management/contracting and entrusting management/outsourcing business**

Entrusted management/contracting business of the Company

 Applicable Not applicable

Description about related entrusting/contracting business

 Applicable Not applicable

Entrusting management/outsourcing business of the Company:

 Applicable Not applicable

Description about related management/outsourcing business

 Applicable Not applicable**(3). Related leasing**

The Company acts as a lesser:

 Applicable Not Applicable

Unit: Yuan Currency: RMB

Lessee Name	Type of leased assets	Rental income confirmed in the current period	Rental income confirmed in the previous period
Xinjiang Zhongji Xintai Jinshi Mining Investment Development Co., Ltd. (新疆中稷鑫泰金石礦業投資開發有限公司)	House	6000.00	6000.00

The Company acts as a lessee:

 Applicable Not Applicable

Unit: Yuan Currency: RMB

Lesser Name	Type of leased assets	Rental fees confirmed in the current period	Rental fees confirmed in the previous period
Xinjiang Xintai Investment (Group) Real Estate Development Co., Ltd. (新疆鑫泰投資(集團)房地產開發有限公司)	House	94,657.64	94,657.64

Description of related leasing

 Applicable Not applicable

(4). Related guarantee

The Company acts as a guarantor

 Applicable Not applicable

The Company acts as the guaranteed party.

 Applicable Not applicable

Description of related guarantee

 Applicable Not applicable**(5). Fund lending of related parties** Applicable Not applicable**(6). Assets transfer and debt reorganization of related parties** Applicable Not applicable**(7). Remuneration of key management personnel** Applicable Not applicable

Unit : 10000 yuan Currency: RMB

Item	Total Amount accounted for in the current period	Total Amount accounted for in the previous period
Remuneration of key management personnel	238.14	206.75

(8). Other related transactions Applicable Not applicable**6. Accounts receivable and accounts payable of related parties****(1). Accounts receivable** Applicable Not applicable**(2). Accounts payable** Applicable Not applicable**7. Commitments of related parties** Applicable Not applicable**8. Others** Applicable Not applicable**XIII. Share Payment****1. Overall situation of share payment** Applicable Not applicable**2. Equity-settled share payment** Applicable Not applicable**3. Cash-settled share payment** Applicable Not applicable**4. Modifications and termination of share payment** Applicable Not applicable**5. Others** Applicable Not applicable**XIV Commitments and Contingencies****1. Major commitments** Applicable Not applicable**2. Contingencies****(1). Major contingencies on the date of balance sheet** Applicable Not applicable**(2). Description is required even if the Company has no major contingencies to be disclosed** Applicable Not applicable**3. Others** Applicable Not applicable

XV Events after the date of balance sheet**1. Major non-adjusting events**

Applicable Not applicable

2. Profit distribution

Applicable Not applicable

3. Sales return

Applicable Not applicable

4. Description of other events after the date of balance sheet

Applicable Not Applicable

Major assets reorganization events:

(1) On February 26, 2018, the Company released the Announcement No. 2018-004 Major Assets Reorganization. The announcement indicates that the Company is planning to purchase overseas listed companies through cash transactions, which constitutes the major assets reorganization. After setting up a wholly-owned subsidiary company and filing with the National Development and Reform Commission, the Department of Commerce of the Region and the foreign exchange management institution, the wholly-owned subsidiary established overseas will implement the acquisition.

(2) Announcement (No. 2018-005) on the resolution of the Company's twelfth meeting of the second board of directors on February 28, 2018:

A. In consideration of the Proposal on the Capital Increase to the Wholly-owned Subsidiary, the Company plans to increase capital of no more than RMB 2.5 billion in cash to Sichuan Liming Energy Development Co., Ltd. (四川利明能源開發有限責任公司) (hereinafter referred to as "Sichuan Liming"), a wholly-owned subsidiary, according to the company's business plan and development requirements. The specific amount of capital increase will be determined by the president authorised by the general meeting of shareholders based on the actual business needs.

Sichuan Liming Energy Development Co., Ltd. (四川利明能源開發有限責任公司) is a wholly-owned subsidiary established by Xinjiang Xintai Natural Gas Co., Ltd. and registered in Administration for Industry and Commerce of Deyang, Sichuan Province on February 8, 2018, with the registered capital of RMB 100 million.

Hong Kong Liming Holdings Co., Ltd. (香港利明控股有限公司) was established on February 15, 2018, with the registration number of 2656994, belonging to Hong Kong (Private Corporation)(香港(私人股份有限公司)). The current company status is "still under registration".

B. In consideration of the "proposal on increasing the investment on the wholly-owned sub-subsidiary in Hong Kong by the wholly-owned subsidiary", the wholly-owned subsidiary of the Company, namely Sichuan Liming Energy Development Co., Ltd. (四川利明能源開發有限責任公司) is proposed to increase the investment capital to its subsidiary, i.e. Hong Kong Liming Holdings Co., Ltd. (香港利明控股有限公司) (hereinafter referred to as "Hong Kong Liming") in accordance with the Company's operational and development needs and its strategic plan for overseas deployment. After the increase of investment capital, the total investment amount of Hong Kong Liming Holdings Co., Ltd. (香港利明控股有限公司) will not be more than RMB 2.6 billion. The specific increase in the investment amount will be determined by the president authorised by the shareholders' meeting of the board of directors based on the actual business development. After this increase of investment capital is completed, Hong Kong Liming Holdings Co., Ltd. (香港利明控股有限公司) is still the wholly-owned sub-subsidiary of the Company. The source of funds to increase the investment on the wholly-owned sub-subsidiary company in Hong Kong is from Sichuan Liming's self-owned funds and self-raised funds.

C. In consideration of the proposal on applying for financing to financial Institutions or other entities at home and abroad to raise funds required for Sichuan Liming's capital increase, to increase the investment on the wholly-owned sub-subsidiary in Hong Kong for Sichuan Liming based on the Company's business development needs and overseas strategic planning; and to raise the development funds for the wholly-owned sub-subsidiary in Hong Kong. The Company or its wholly-owned subsidiaries, i.e. Sichuan Liming, and Hong Kong Liming intend to apply for financing of no more than RMB 2.2 billion from domestic and foreign financial institutions or other entities. The specific matters such as selection of financing entities, financing institutions, financing options, signing of financing agreements, and guarantee measures (e.g. the matters about that the Company provides guarantees to the borrowers), shall be handled under the authorisation of the president.

D. The proposal on providing guarantees for the subsidiaries is considered whereas The Company or its wholly-owned subsidiaries, i.e. Sichuan Liming, and Hong Kong Liming intend to apply for financing of no more than RMB 2.2 billion from domestic and foreign financial institutions or other entities. If the borrower is a wholly-owned subsidiary, the Company will provide an unconditional and irrevocable joint and several liability guarantee of not more than RMB 2.2 billion or equivalent in Hong Kong dollars for the financing application of the wholly-owned subsidiary.

E. In consideration of the proposal on requesting the general meeting of shareholders to authorise the Board of Directors to concretely deal with foreign investment matters.

(3) On February 28, 2018, the Company issued the Notice No. 2018-011 on the convening of the first extraordinary general meeting of 2018 on March 15, 2018. The proposed resolution is as follows: the proposal on the capital increase to a wholly-owned subsidiary, the proposal of the wholly-owned subsidiary to increase investment in the wholly-owned sub-subsidiary in Hong Kong, the proposal on applying for financing from domestic and foreign financial institutions or other entities, the proposal on providing guarantees to subordinate wholly-owned subsidiaries, and the request to the general meeting of shareholders to authorise the board of directors to specifically handle the foreign investment matters.

(4) On March 5, 2018, the Company released the Announcement No. 2018-012 on the major assets reorganization. The Company and its related parties are actively organizing relevant intermediaries to carry out overseas investment filing, legal and financial consultants and other work in accordance with the *Administrative Measures for Overseas Investment of Enterprises*, the *Administrative Measures for Major Asset Reorganization of Listed Companies* and other relevant regulations.

XVI Other Major Events

1. Correction of accounting errors in prior periods

(1). Retrospective restatement method

Applicable Not applicable

(2). Future application method

Applicable Not applicable

2. Debt restructuring

Applicable Not applicable

3. Asset replacement

(1). Non-monetary asset exchange

Applicable Not applicable

(2). Replacement of other assets

Applicable Not applicable

4. Annuity plan

Applicable Not applicable

5. Termination of operation

Applicable Not applicable

6. Division Information

(1). Determination basis and accounting policy of reporting division:

Applicable Not Applicable

The Company determines its operating divisions based on its internal organizational structure, management requirements and internal reporting system, and determines reporting divisions and discloses division information on the basis of operating divisions. The operating division refers to the components of the Company that meet the following conditions at the same time: (1) The component can generate income and expenses in daily activities; (2) The management of the Company can regularly evaluate the operating results of the component to decide to allocate resources to it and evaluate its performance; (3) The Company can obtain relevant accounting information on the financial status, operating results, and cash flow of this component. Two or more operating divisions that have similar economic characteristics and meet certain conditions may be merged into one operating division.

The Company considers the principle of importance and the actual operating conditions. Based on the operating division, the Company considers that the Company has obvious geographical characteristics and determines the reporting division based on the region. The Company's reporting division provides products or services in different regions. The Company's operations have the characteristics of high geographical division, so the production and business activities of each reporting division are managed separately and their operating results are evaluated separately as well in order to decide to allocate resources to them and evaluate their performance.

The company has 5 reporting divisions, which are:

- Xinjiang Urumqi Division, responsible for the production and operation in Urumqi
- Xinjiang Aksu region division, responsible for the production and operation in Aksu
- Xinjiang Wujiaqu division, responsible for the production and operation in Wujiaqu
- Xinjiang Changji Hui Autonomous Prefecture Division, responsible for the production and operation in Changji Hui Autonomous Prefecture
- Xinjiang Bayingolin Mongolian Autonomous Prefecture Division, responsible for the production and operation in Bayingolin Mongolia Autonomous Prefecture

(2). Financial information of reporting division

√ Applicable □ Not Applicable

Unit: Yuan Currency: RMB

Items	Urumqi	Aksu	Wujiaqu	Changji Hui Autonomous Prefecture	Bayingolin Mongol Autonomous Prefecture	Offset between divisions	Total
Operating income	591,701,908.75	161,164,799.89	295,859,642.39	75,121,984.89	79,245,986.62	186,883,281.09	1,016,211,041.45
Operating costs	426,915,399.60	94,902,903.07	233,700,845.38	57,625,233.65	59,854,017.45	186,513,991.45	686,484,407.7
Sales expenses	8,336,797.72	2,707,776.41	3,067,579.77	1,284,884.19	1,887,748.75		17,284,786.84
Administrative expenses	24,597,258.17	4,472,358.36	4,300,336.39	3,685,392.07	5,830,655.14	62,080.04	42,823,920.09
Financial expenses	-6,168,580.34	-51,679.25	-46,146.78	-15,650.42	-67,757.55		-6,349,814.34
Assets impairment loss	2,209,866.89	256,216.21	4,932.44	253,069.31	118,678.71		2,842,763.56
Total profit	393,121,343.51	58,101,341.02	63,032,921.65	18,911,229.08	10,805,377.14	233,831,216.76	310,140,995.64
Income tax expenses	22,969,656.56	8,993,676.08	9,696,283.23	2,877,912.95	1,952,137.23	46,081.44	46,443,584.61
Net profit	370,151,686.95	49,107,664.94	53,336,638.42	16,033,316.13	8,853,239.91	233,785,135.32	263,697,411.03
Total assets	2,337,420,767.61	154,478,421.20	194,554,821.44	77,578,461.16	119,159,107.72	587,168,659.83	2,296,022,919.30
Total liabilities	326,316,848.46	49,639,963.06	71,553,231.41	22,225,714.95	27,084,606.68	142,486,980.56	354,333,384.00

(3). If the Company does not have a reporting division or cannot disclose the total assets and total liabilities of each reporting division, it shall explain the reasons.

□ Applicable √ Not applicable

(4). Other notes

□ Applicable √ Not applicable

7. Other important transactions and events that have an impact on the investor's decision-making

□ Applicable √ Not applicable

8. Others

□ Applicable √ Not applicable

XVII Notes for the major items of the parent company's financial statements**1. Accounts receivable****(1). Disclosure of accounts receivable by class**

Applicable Not applicable

Accounts receivable with large individual amount and individual provision for bad debts at the end of the period:

Applicable Not applicable

Accounts receivable with provision for bad debts according to the aging analysis method in the portfolio:

Applicable Not applicable

Account receivables with provision for bad debts according to the balance percentage method in the portfolio:

Applicable Not applicable

Accounts receivable with provision for bad debts according to other methods in the portfolio:

Applicable Not applicable

(2). Provision for bad debts for withdrawal, recovery or transfer-back in the current period:

The amount of provision for bad debts in the current period is RMB 0; the amount of provision for bad debts recovered or transferred back of the current period is RMB 0.

Of which the amount of provision for bad debts recovered or transferred back is important:

Applicable Not applicable

(3). Actual write-off of accounts receivable in the current period

Applicable Not applicable

Of which, write-offs of major accounts receivable

Applicable Not applicable

(4). Top five accounts receivable according to the closing balance of arrears:

Applicable Not applicable

(5). Accounts receivables derecognized due to transfer of financial assets:

Applicable Not applicable

(6). Amount of assets and liabilities from which the accounts receivable are transferred and continue to be involved:

Applicable Not applicable

Other notes:

Applicable Not applicable

2. Other receivables**(1). Disclosure of other receivables by class:**

Applicable Not Applicable

Unit: Yuan Currency: RMB

Type	Closing balance				Opening balance					
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Total proportion (%)		Amount	Ratio (%)	Amount	Total proportion (%)	
Other accounts receivable that are individually of significant amount and individually provided for provision for bad debts										
Other accounts receivable for which provision for bad debts are withdrawn according to credit risk characteristics of the portfolio	84,074,465.86	100.00			84,074,465.86	191,429,023.43	100.00			191,429,023.43

Type	Closing balance				Book value	Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Total proportion (%)		Amount	Ratio (%)	Amount	Total proportion (%)	
Other accounts receivable that are individually of insignificant amount and individually provided for provision for bad debts										
Total	84,074,465.86	/		/	84,074,465.86	191,429,023.43	/		/	191,429,023.43

Other accounts receivable with individual significant amount and individual provision for bad debts at the end of the period:

Applicable Not applicable

Accounts receivable with provision for bad debts made according to the aging analysis method in the portfolio:

Applicable Not applicable

Account receivables with provision for bad debts made according to the balance percentage method in the portfolio:

Applicable Not applicable

Accounts receivable with provision for bad debts made according to other methods in the portfolio

Applicable Not applicable

(2). Provision for bad debts made, recovered or transferred back in the current period:

The amount of provision for bad debts in the current period is RMB 0; the amount of provision for bad debts recovered or transferred back of the current period is RMB 0, of which, the amount of the provision for bad debts for transfer-back or recovery is important:

Applicable Not applicable

(3). Actual write-off of accounts receivable in the current period

Applicable Not applicable

(4). Other accounts receivable that are classified by nature of payment

Applicable Not applicable

(5). Top five debtors of other receivable according to the closing balances:

Applicable Not Applicable

Unit: Yuan Currency: RMB

Company Name	Nature of the amount	Closing balance	Aging	Proportion of in the total balance of other receivables at the end of the period (%)	Closing balance for provision for bad debts
Kuqa County Xintai Gas Co., Ltd. (庫車縣鑫泰燃氣有限責任公司)	Current accounts	20,067,000.00	Up to 1 year	23.87	0
Miquan Xintai Gas Co., Ltd. (米泉市鑫泰燃氣有限責任公司)	Current accounts	19,245,315.72	0 to 2 years	22.89	0
Wujiaqu Xintai Gas Co., Ltd. (五家渠市鑫泰燃氣有限責任公司)	Current accounts	16,027,697.02	Up to 1 year	19.06	0

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Hoxud County Xintai Gas Co., Ltd. (和碩縣鑫泰燃氣有限責任公司)	Current accounts	10,000,000.00	2 to 3 years	11.89	0
Fukang Xintai Gas Co., Ltd. (阜康市鑫泰燃氣有限責任公司)	Current accounts	9,744,413.29	0 to 2 years	11.59	0
Total	/	75,084,426.03	/	89.30	

(6). Accounts receivable related to government subsidies

Applicable Not applicable

(7). Other accounts receivable derecognized due to the transfer of financial assets:

Applicable Not applicable

(8). The amount of assets and liabilities from which the accounts receivable are transferred and continue to be involved:

Applicable Not applicable

Other notes:

Applicable Not applicable

3. Long-term Equity Investment

Applicable Not Applicable

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment on subsidiaries	444,420,551.11		444,420,551.11	324,420,551.11		324,420,551.11
Investment on joint and associated enterprises						
Total	444,420,551.11		444,420,551.11	324,420,551.11		324,420,551.11

(1). Investment on subsidiaries

Applicable Not Applicable

Unit: Yuan Currency: RMB

Invested company	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of the provision for impairment
Urumqi Xintai Gas Co., Ltd. (烏魯木齊市鑫泰燃氣有限責任公司)	35,953,145.94			35,953,145.94		
Miquan Xintai Gas Co., Ltd. (米泉市鑫泰燃氣有限責任公司)	72,563,540.16			72,563,540.16		
Urumqi Xintai Compressed Gas Co., Ltd. (新疆鑫泰壓縮天然氣有限責任公司)	37,507,392.00			37,507,392.00		
Fukang Xintai	26,293,982.34	13,000,000.00		39,293,982.34		

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Invested company	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of the provision for impairment
Gas Co., Ltd. (阜康市鑫泰燃氣有限責任公司)						
Kuqa County Xintai Gas Co., Ltd. (庫車縣鑫泰燃氣有限責任公司)	38,097,817.63			38,097,817.63		
Bohu County Xintai Gas Co., Ltd. (博湖縣鑫泰燃氣有限責任公司)	24,252,926.37			24,252,926.37		
Yanqi County Xintai Gas Co., Ltd. (焉耆縣鑫泰燃氣有限責任公司)	34,999,259.36			34,999,259.36		
Hoxud Xintai County Gas Co., Ltd. (和碩縣鑫泰燃氣有限責任公司)	11,692,937.33			11,692,937.33		
Wujiaqu Xintai Gas Co., Ltd. (五家渠市鑫泰燃氣有限責任公司)	39,089,054.16	55,000,000.00		94,089,054.16		
Urumqi Xintai Changtong Transportation Co., Ltd. (烏魯木齊市鑫泰長通運輸有限公司)	2,970,495.82	10,000,000.00		12,970,495.82		
Urumqi Xintai Jingong Construction Engineering Co., Ltd. (烏魯木齊鑫泰精工建設工程有限公司)	1,000,000.00	2,000,000.00		3,000,000.00		
Urumqi Xintai Yurong Gas Co., Ltd. (烏魯木齊鑫泰裕榮燃氣有限公司)		40,000,000.00		40,000,000.00		
Total	324,420,551.11	120,000,000.00		444,420,551.11		

(2). Investment on joint and associated enterprises

Applicable Not applicable

4. Operating Incomes and Operating Costs:

Applicable Not Applicable

Unit: Yuan Currency: RMB

Items	Current Period		Previous Period	
	Incomes	Costs	Incomes	Costs
Main business				
Other business			758,233.95	
Total			758,233.95	

5. Investment Incomes

Applicable Not Applicable

Unit: Yuan Currency: RMB

Items	Current Period	Previous Period
Long-term equity investment income accounted with the cost method	233,524,007.16	176,500,000.00
Long-term equity investment income accounted with the equity method		
Investment income from disposal of long-term equity investment		
Holding-period investment income of the financial assets which are measured at fair value and its changes are charged to the profit or loss for the current period		
Investment income from the financial assets the disposal of which is measured at fair value and the change of which is charged to the profit or loss for the current period.		
Investment income from the held-to-maturity investment during holding period		
Investment income of available-for-sale financial assets during holding period	57,695.67	57,695.67
Investment income from disposal of available-for-sale financial assets		
Gains from the re-measurement at fair value for the remaining equity after loss of control		
Investment income of financial products	15,469,514.07	
Total	249,051,216.90	176,557,695.67

6. Others

Applicable Not applicable

XVIII Supplementary Data**1. Detailed statement of current-period non-recurring profit and loss**

Applicable Not Applicable

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Unit: Yuan Currency: RMB

Items	Amount	Description
Profit and loss on disposal of non-current assets	641,131.42	
Return and relief of the taxes for unauthorised approval or lack of approval documents		
Government subsidies included in the current profit and loss (except for government subsidies that are closely related to the business of the Company and are rationed or quantified according to national uniform standards)	16,486,981.41	
Funds occupation fees charged to non-financial enterprises included in current profit and loss		
Profit as the result of that the investment costs of the subsidiaries, joint and associated enterprises obtained by the Company are less than the fair value of the identifiable net assets of the investee when the investment is obtained.		
Profit and loss from non-monetary assets exchange		
Profit and loss from entrusting others to invest in or manage the assets	15,469,514.07	
Provision for impairment of all the assets withdrawn due to force majeure factors, such as natural disasters		
Profit and loss from debt restructuring		
Corporate reorganization costs, such as expenditures for resettlement of staff and for integration		
Profit and loss exceeding the fair value, generated by the transactions that are obviously unfair		
Current-period net profit and loss of the subsidiaries due to the merger of enterprises under common control from the beginning of the period to the merger date		
Profit and loss from the contingencies that have nothing to do with the Company's normal operations		
Profit and loss from fair value changes due to holding of transactional financial assets and trading financial liabilities and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets.		
Reversal of impairment provision for accounts receivables that was individually tested for impairment		
Profit and loss from the entrusted loans		
Profit and loss arising from changes in the fair value of investment real estate subsequently measured at fair value		
Impact on the current profit and loss by one-off adjustment according to taxation and accounting laws and regulations.		
Incomes from trustee fee of entrusted operation		
Other non-operating income and expenses other than the above	-1,036,156.37	
Other profit and loss items that meet the definition of non-recurring profit and loss		
Income tax impact	-6,279,681.99	
Impact of minority shareholders' equity		
Total	25,281,788.54	

For the non-recurring items of profit and loss defined by the Company in accordance with the definition of *Explanatory Announcement No.1 - Non-recurring Profit and Loss*, and the items of non-recurring profit and loss listed in *Explanatory Announcement No.1 - Non-recurring Profit and Loss*, the reasons shall be given.

√ Applicable □ Not Applicable

Unit: Yuan Currency: RMB

Item	Amount involved	Reason
Price difference subsidies for natural gas	12,848,190.76	According to the relevant government documents, the price difference subsidies for natural gas are the fixed amount of subsidies based on the sales amount of natural gas

2. Return on equity and earnings per share

√ Applicable □ Not Applicable

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of common stock of the Company	14.29	1.65	1.65
Net profit attributable to shareholders of common stock of the Company after non-recurring gains and losses are deducted	12.92	1.49	1.49

3. Differences in accounting data under domestic and overseas accounting standards

□ Applicable √ Not applicable

4. Others

□ Applicable √ Not applicable

C. FINANCIAL INFORMATION OF XINJIANG XINTAI FOR THE THREE MONTHS ENDED 31 MARCH 2018

Set out below are the unaudited consolidated financial statements of Xinjiang Xintai for the three months ended 31 March 2018.

CONSOLIDATED BALANCE SHEET

March 31, 2018

Prepared by: Xinjiang Xintai Natural Gas Co., Ltd.

Unit: Yuan Currency: RMB

Items	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		1,087,082,339.96	974,188,338.21
Deposit reservation for balance			
Lendings to banks and other financial institutions			
Financial assets at fair value through loss or profit for the current period			
Derivative financial assets			
Notes receivable		27,545,875.16	18,238,360.00
Accounts receivable		79,906,831.39	75,080,287.73
Advances from customers		24,025,102.06	18,553,917.40
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves			

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	Note	Closing balance	Opening balance
receivable			
Interests receivable			
Dividends receivable			
Other receivables		29,066,973.60	23,420,563.59
Financial assets purchased under agreements to resell			
Inventories		23,306,751.28	23,730,506.64
Assets held for sale			
Non-current assets due within 1 year			
Other current assets		320,333,504.79	423,187,330.10
Total current assets		1,591,267,378.24	1,556,399,303.67
Non-current assets:			
Loans and advances to customers			
Available-for-sale financial assets		710,000.00	710,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment properties			
Fixed assets		618,329,267.15	632,114,780.23
Construction in progress		14,991,854.11	14,709,815.37
Construction supplies		9,931,979.63	9,915,025.29
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		57,283,777.00	57,741,159.76
Development expenditures			
Goodwill			
Long-term prepaid expenses		14,411,735.47	15,024,438.64
Deferred tax assets		1,835,919.12	1,797,491.46
Other non-current assets		7,610,904.88	7,610,904.88
Total non-current assets		725,105,437.36	739,623,615.63
Total assets		2,316,372,815.60	2,296,022,919.30
Current liabilities:			
Short-term borrowings			
Borrowings from the central bank			
Absorbing deposits and interbank deposits			
Borrowings from banks and other financial institutions			
Financial liabilities at fair value through profit or loss for the current period			
Derivative financial liabilities			
Notes payable			
Accounts payable		95,257,945.86	120,320,056.85
Advances from customers		104,818,844.22	128,334,190.39
Financial assets sold under agreements to purchase			
Fees and commissions payable			
Employee benefits payable		6,017,132.02	12,500,169.26
Taxes payable		15,368,485.77	20,599,808.93
Interests payable			
Dividends payable			
Other payables		8,382,323.33	6,534,018.62

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	Note	Closing balance	Opening balance
Reinsurance accounts payable			
Insurance contract reserve			
Customer brokerage deposits			
Undertaking proceeds deposits			
Liabilities held for sale			
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		229,844,731.20	288,288,244.05
Non-current liabilities:			
Long-term borrowings			
Debentures payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables		58,779,522.33	55,169,469.65
Estimated liabilities			
Deferred income		10,723,787.17	10,875,670.30
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		69,503,309.50	66,045,139.95
Total liabilities		299,348,040.70	354,333,384.00
Owners' equity			
Share capital		160,000,000.00	160,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,170,742,370.89	1,170,742,370.89
Less: Treasury shares			
Other comprehensive income			
Special reserve		47,358,927.18	45,727,504.48
Surplus reserve		99,844,271.88	99,844,271.88
Generic risk provision			
Undistributed profit		539,079,204.95	465,375,388.05
Net equity attributable to the equity owners of the Company		2,017,024,774.90	1,941,689,535.30
Minority interests			
Total owners' equity		2,017,024,774.90	1,941,689,535.30
Total liabilities and owners' equity		2,316,372,815.60	2,296,022,919.30

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

CONSOLIDATED INCOME STATEMENT

January to March, 2018

Unit: Yuan Currency: RMB

Items	For the current period	For the previous period
I. Total operating revenue	329,315,225.92	275,165,663.15
Including: Operating revenue	329,315,225.92	275,165,663.15
Interest income		
Premiums earned		
Fees and commission income		

APPENDIX II

FINANCIAL INFORMATION OF THE OFFEROR
AND XINJIANG XINTAI

Items	For the current period	For the previous period
II. Total operating costs	251,299,910.32	223,565,415.65
Including: operating costs	241,349,349.55	210,713,289.61
Interest expenses		
Fees and commission expenses		
Surrender		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Dividend expenditure of insurance policy		
Reinsurance expense		
Taxes and surcharges	2,167,463.92	2,078,779.37
Selling and distribution expenses	3,921,771.44	3,354,549.69
General and administrative expenses	9,442,008.46	8,154,751.97
Financial expenses	-5,389,621.81	-620,422.43
Asset impairment losses	-191,061.24	-115,532.56
Add: gains from changes in fair value (loss is represented by “-”)		
Investment income (loss is represented by “-”)	1,511,734.29	3,906,228.99
Including: share of profit of associates and joint ventures		
Income on disposal of fixed assets (loss is represented by “-”)	-10,686.07	
Exchange gains (loss is represented by “-”)		
Other income	6,732,428.64	
III. Operating profit (loss is represented by “-”)	86,248,792.46	55,506,476.49
Add: non-operating income	466.64	9,639,415.08
Less: non-operating expenses	46,552.97	50,533.17
IV. Total profit (total loss is represented by “-”)	86,202,706.13	65,095,358.40
Less: income tax expenses	12,498,889.23	9,630,648.16
V. Net profit (net loss is represented by “-”)	73,703,816.90	55,464,710.24
(I) Classified based on business continuity		
1. Going concern (loss is represented by “-”)	73,703,816.90	55,464,710.24
2. Business termination (loss is represented by “-”)		
(II) Classified based on ownership		
1. Minority interests		
2. Net profit attributable to equity owners of the Company	73,703,816.90	55,464,710.24
VI. Net comprehensive income after tax		
Net comprehensive income after tax attributable to owners of the parent		
(I) Other comprehensive income that cannot be subsequently reclassified into profit or loss		
1. Changes arising from re-measurement of net liabilities or assets relating to defined benefit plans		
2. Share of other comprehensive income of investees which cannot be reclassified subsequently to profit or loss under equity method		

Items	For the current period	For the previous period
(II) Other comprehensive income that will be subsequently reclassified to profit or loss		
1. Share of other comprehensive income of investees which will be reclassified subsequently to profit or loss under equity method		
2. Gain or loss arising from changes in fair value of available-for-sale financial assets		
3. Gain or loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
Gain or loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
4. Effective portion of cash flow hedges		
5. Differences from translating foreign currency financial statements		
6. Others		
Net comprehensive income after tax attributable to minority shareholders		
VII. Total comprehensive income	73,703,816.90	55,464,710.24
Attributable to equity owners of the Company	73,703,816.90	55,464,710.24
Attributable to minority interests		
VIII. Earnings per share:		
(I) Basic earnings per share (RMB/share)	0.46	0.35
(II) Diluted earnings per share (RMB/share)	0.45	0.35

Where the business combination under the common control occurs in the current period, the net profit attributable to the combined party is RMB 0; the net profit attributable to the combined party in the previous period is RMB 0.

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

CONSOLIDATED STATEMENT OF CASH FLOW

January to March, 2018

Unit: Yuan Currency: RMB Audit Type: Unaudited

Items	For the current period	For the previous period
I. Cash flow generated from operating activities:		
Cash received from sales of goods or rendering of services	323,537,554.54	287,054,685.59
Net increase of customer deposits and interbank deposits		
Net increase of loans from the central bank		
Net increase of capital borrowed from other financial institutions		
Cash received from original insurance contract fees		
Net cash received from reinsurance business		
Insured savings and net increase of investment		
Net increase in financial assets at fair value through profit or loss		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Tax refund received		
Cash received relating to other operating activities	10,491,020.74	11,471,118.59
Sub-total of cash inflow from operating activities	334,028,575.28	298,525,804.18
Cash paid for goods and service	246,473,329.90	203,508,466.44
Net increase of customer loans and advances		
Net increase of deposits in the central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to and for employees	22,070,926.08	18,875,747.95
Payments of taxes and surcharges	33,239,742.43	28,704,758.61
Cash payments relating to other operating activities	5,208,114.08	24,538,323.71
Sub-total of cash outflows for operating activities	306,992,112.49	275,627,296.71
Net cash flow from operating activities	27,036,462.79	22,898,507.47
II. Cash flow generated from investing activities:		
Cash from disposal of investments	105,000,000.00	750,000,000.00
Cash received from returns on investments	1,602,438.35	4,140,602.74
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,000.00	
Net cash received in disposing subsidiaries and other business units		
Cash received relating to other investing		

Items	For the current period	For the previous period
activities		
Sub-total of cash inflows from investing activities	106,608,438.35	754,140,602.74
Cash paid to acquire fixed assets, intangible assets and other long-term assets	20,750,899.39	6,444,108.01
Cash paid to acquire investments		760,000,000.00
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other operating entities		
Cash paid relating to other investing activities		
Sub-total of cash outflows	20,750,899.39	766,444,108.01
Net cash flow from investing activities	85,857,538.96	-12,303,505.27
III. Cash flow generated from financing activities:		
Cash received by capital contribution		1,034,408,000.00
Including: cash received from capital contributions by minority shareholders of subsidiaries		
Cash received from borrowings		
Cash received from issuance of debentures		
Cash received relating to other financing activities		
Sub-total of cash inflows		
Cash repayments of borrowings		
Cash payments for distribution of dividends, profits and interest		349,125.00
Including: dividend and interest paid by subsidiaries to minority shareholders		
Cash payments relating to other financing activities		500,000.0
Sub-total of cash outflows		849,125.00
Net cash flow from financing activities		-849,125.00
IV. Effect of change of foreign currency rates on cash and cash equivalents		
V. Net increase in cash and cash equivalents	112,894,001.75	9,745,877.20
Add: Cash and cash equivalents at beginning of the period	974,188,338.21	399,454,309.83
VI. Cash and cash equivalents at end of the period	1,087,082,339.96	409,200,187.03

Legal representative: Ming Zaifu Person in charge of accounting work: Yin Xianfeng Person in charge of accounting firm: Liu Tianjun

D. NO MATERIAL CHANGE

There had been no material change in the financial or trading position or outlook of Xinjiang Xintai since 31 December 2017, being the date to which the latest audited consolidated financial statements of Xinjiang Xintai were made up, up to and including the Latest Practicable Date, save for the acquisition loan facility obtained from China Minsheng Bank pursuant to an agreement dated 13 April 2018 to finance in part the Offers.

The following is the text of a valuation analysis carried out by Cinda Securities Co., Ltd., an entity licensed by the China Securities Regulatory Commission and Securities Association of China for the securities investment under relevant laws and regulations in the PRC (the “Cinda Analysis”). In light of the Offers being considered to be a material asset acquisition by Xinjiang Xintai under the relevant rules and regulations of the Shanghai Stock Exchange, the Cinda Analysis was prepared and published in compliance with and as required by the relevant rules and regulations of the Shanghai Stock Exchange for the purpose of the approval required to be obtained from the shareholders of Xinjiang Xintai in respect of the Offers. The Cinda Analysis was not prepared for the purpose of the Offers or for the benefit of the Shareholders, Option Holders and RSU Holders, nor was it prepared in accordance with the Takeovers Code or other rules or regulations in Hong Kong. Shareholders, Option Holders and RSU Holders are advised to refer to all the documents published in accordance with the rules and regulations in Hong Kong in connection with the Offers, and not to rely on the Cinda Analysis, in making their decision in respect of the Offers. Shareholders, Option Holders and RSU Holders should consult their professional advisers if in doubt.

Valuation Report by Cinda Securities Co., Ltd. in respect of the Material Asset Acquisition undertaken by Xinjiang Xintai Natural Gas Co., Ltd.

Valuation Agency



信达证券股份有限公司
CINDA SECURITIES CO., LTD.

May 2018

Declaration

- I. As the valuation agent in the partial offer by Xinjiang Xintai Natural Gas Co., Ltd. (hereinafter “**Xinjiang Xintai**”, the “**Listed Company**,” or the “**Company**”) to acquire AAG Energy Holdings Ltd. (hereinafter “**AAG Energy**”, the “**Target Company**”), Cinda Securities Co., Ltd. (hereinafter “**Cinda Securities**”) has adhered to the principles of independence, objectivity, and fairness in executing valuations and has complied with relevant laws and regulations. Based on the materials we have collected in the course of practice, the content of this Valuation Report is objective.
- II. The Valuation Report is issued by Cinda Securities pursuant to the regulations and regulatory documents such as *Measures for the Administration of the Material Asset Restructurings of Listed Companies* and *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 26 - Material Asset Restructurings of Listed Companies (amended in 2017)*. The views in the Valuation Report do not constitute suggestions, recommendations, or indemnities for any third party.
- III. The analysis, judgments, and conclusions in this Valuation Report are limited by the assumptions and restrictive conditions as set out in the Valuation Report. The user should fully consider the assumptions and restrictive conditions in the Valuation Report, as well as their impact on the conclusions.
- IV. The Valuation Report does not guarantee the accuracy, integrity, or appropriateness of any public information contained in the Valuation Report.
- V. The Valuation Report does not undertake a comprehensive analysis of the business, operations, or financial conditions of the parties to the transaction, and does not provide any opinion regarding the future prospect of the parties to the transaction.
- VI. This Valuation Report does not take into consideration the investment objectives, financial conditions, tax conditions, risk preferences, or individual circumstances of any specific investor. Since different investors have different investment goals and portfolios, if specific recommendations are needed

regarding their investment portfolios, investors should consult their respective stock brokers, attorneys, accountants, tax consultants, or other professional consultants in a timely manner.

VII. Views in the Valuation Report are only based on the analysis of financial information that has been publicly disclosed, and did not take into account business, legal, tax, regulatory environmental or other factors. The Valuation Report also does not comment on the Target Company's transaction value or stock price after the completion or failure of acquisition, since such factors exceed the scope of investigation and responsibilities of this Valuation Report.

VIII. Currently, there are no comparable companies on the market that are identical to the Target Company in the following aspect: asset scale, scale of land exploitation, block advantages, geological conditions, external transport pipeline network, radiating market, business scale, risk conditions, asset scale, historical performance, and future forecast. Investors should note that comparative analysis with comparable companies can only serve as a schematic analysis of the Target Company's potential value as of March 30, 2018.

IX. Unless otherwise defined in the Valuation Report, the terminology and acronyms have the same meanings as defined by *Xinjiang Xintai Natural Gas Co., Ltd. Report on Material Asset Acquisition*.

Chapter 1 Introduction to Background Circumstances

I. Overview of the Listed Company and the Target Company

Xinjiang Xintai was listed on the Shanghai Stock Exchange in September 2016; the Company's stock ticker symbol is 603393.SH. Xinjiang Xintai is mainly engaged in the transport, distribution, sale, and home installation of natural gas in an urban context. Currently, the Company's operational regions for its urban gas business are all in Xinjiang, including the eight cities (districts or counties) of Midong District of Urumqi, Fukang City, High-Tech Zone, Wujiaqu City, Kuche County, Yanqi County, Bohu County, and Shuoxian County.

AAG Energy was listed on the Hong Kong Stock Exchange in June 2015; its stock ticker symbol is 2686.HK. The main business of AAG Energy is the exploration, development, and production of coalbed methane ("CBM") in China. Its wholly-owned subsidiaries Sino-American Energy Inc. and Asian American Gas, Inc., are separately operating two important CBM projects of China under Chinese-foreign cooperation – the Panzhuang and Mabi projects.

Please refer to the *Xinjiang Xintai Natural Gas Co., Ltd. Report on Material Asset Acquisition* related to this transaction for the Listed Company and the transaction target's specific business and financial conditions.

II. Circumstances in this transaction

(1) Overview of this transaction

Through its wholly-owned second-tier subsidiary company, Hong Kong Liming Holding Ltd. (hereinafter "**Hong Kong Liming**"), and after the pre-conditions are met, Xinjiang Xintai proposes to make a voluntary conditional cash partial offer to qualified shareholders of AAG Energy, listed on the Main Board of Stock Exchange of Hong Kong, for the acquisition of no more than 50.5% of issued shares. In addition, a suitable offer will be made pursuant to Article 13.1 of *The Codes on Takeovers and Mergers in Hong Kong* to cancel or acquire (if applicable) no more than 50.5% of unexercised options and restricted share units.

According to calculations based on the 3,337,202,448 shares already issued by AAG Energy as of March 30, 2018, in this instance, the offeror intends to acquire no more than 1,685,287,237 shares or 50.5% of issued shares on the final closing of the offer (if stock options are validly exercised between the offer announcement date and final closing date of the offer), whichever is higher. Calculated based on 200,309,495 unexercised stock options and 53,746,929 restricted share units, the offeror plans to cancel or acquire (if applicable) no more than 101,156,295 unexercised stock options and 27,142,200 restricted share units.

(2) Parties to this transaction

The offeror in this acquisition offer is Liming Holding Limited; the potential counterparty in this acquisition offer includes all of the Target Company's qualified shareholders, qualified options holders, and qualified restricted share unit holders.

(3) Transaction price

For this partial offer, the price is HKD 1.75/share (the public announcement of the offer shall take precedence).

III. The background and purpose of this transaction

(1) Background of this transaction

The industry of natural gas is currently in a stage of high-speed development. Since the West-East Gas Pipeline began supplying gas to the mid- and downstream of the Yangtze River in 2004, the natural gas industry in China has experienced ten years of rapid development. The core regions of natural gas demand also gradually shifted development from the earliest inland natural gas production regions of Sichuan, Chongqing, and Shaanxi, to the economically advanced areas of the Beijing-Tianjin-Hebei metropolitan region, the Yangtze River Delta Economic Zone, and Pearl River Delta. Ten years thereafter, benefitting from the support and drive from various factors such as rapid socioeconomic growth, greatly increased supply capabilities, continuously improving storage and transport facilities, and reform in natural gas pricing mechanisms, the Chinese natural gas industry has achieved fast and powerful growth. By 2017, the annual consumption of natural gas in China has grown to 235.2 billion cubic meters from 46.6 billion cubic meters in 2005, with a compound annual growth rate as high as 14.4%.

The proportion of natural gas continues to increase as a source of non-renewable energy. As China diversifies the natural gas supply channels and improves urban gas pipeline infrastructure, and at the same time to satisfy the needs for strict controls over atmospheric pollutant emission and to urgently improve environmental air quality, total Chinese consumption of natural gas is not only rapidly growing in terms of scale, but its weight as total non-renewable energy consumption has also continuously increased, from approximately 2.2% in 2000 to approximately 7.1% in 2017. In the future, the proportion of natural gas in China's non-renewable energy consumption structure will continue to increase. It is expected that by 2020, natural gas will comprise 8%-10% of non-renewable energy consumption.

The target company has high-quality resources. The target company is an international energy company with a leading position in CBM exploration and development in China; it emphasizes the development and value optimization of unconventional natural gas resources to provide clean energy for the Chinese economy. The target company mainly operates in Panzhuang and Mabi regions located in the southwestern Qinshui Basin; its proven reserves of CBM are highest among various basins in China. The Panzhuang Project, with collaboration between the Target Company and China United Coalbed Methane Co., Ltd. (hereinafter "CUBM") is the Sino-foreign cooperative project for CBM with the highest degree of commercialization in China. It is also the first CBM project involving Sino-foreign cooperation in China that has entered into comprehensive commercial development and production; its coalbed methane output in 2017 was 572 million cubic meters. The first phase of the Project Outline Development Plan (ODP) for the Mabi Project, under cooperation by the Target Company and China National Petroleum Corporation ("CNPC") has received preliminary review and approval from the National Energy Administration in November 2013. Currently, it has passed the final review by CNPC, and will complete filing after its submission to the National Development and Reform Commission ("NDRC"). At the beginning of 2017, the State Council announced that the review and approval policy for all CBM ODP reports is changing from approval by NDRC to a filing system. If the detailed rules relating to the filing system can be promulgated in the first half of 2018, then the Mabi Project may begin large-scale commercial development in the second half of 2018, at which time output is expected to increase significantly.

(2) Purpose of this transaction

The transaction seeks to take hold of an opportune moment in the current rapid development of natural gas. The upstream and downstream of the supply chain can be integrated to realize synergy effect through acquisition of the Target Company, in turn releasing production capacity and profits and increasing economic benefits. This not only meets the Company's four-pronged developmental strategy of industrial chain incorporation, high-tech integration, internationalization, and financialization; but also

conforms to and satisfies the state's policy requirements for mid-term and long-term development in the CBM industry. After this transaction is completed, Xinjiang Xintai will acquire high quality assets for CBM exploration, development, and operations. At the same time, taking control of the company which is listed abroad to construct an international capital platform, would have profound strategic significance and value for its long-term development. Through this transaction, Xinjiang Xintai can create synergy with the Target Company in terms of business expansion, regional deployment, and industrial chain integration, in order to effectively increase the market influence and brand value of the Listed Company.

IV. Purpose of Valuation Report

This transaction undertaken by the Listed Company is an acquisition offer in an overseas open market, the pricing of which is not based on the asset assessment report and the Valuation Report. The price in this acquisition offer is determined by the Listed Company after comprehensive considerations and evaluation of the Target Company's strategic value, industrial development, asset conditions, profit levels, technical conditions, and synergy effect on the basis of the Target Company's net assets and publicly available market value.

The purpose of this valuation is to analyse the reasonableness and fairness of the price of this transaction from the perspective of an independent valuation agent. The views in the Valuation Report do not constitute suggestions, recommendations, or indemnities for any third party.

V. Benchmark date of valuation

The valuation benchmark date in this Valuation Report is March 30, 2018.

Chapter II Valuation Ideas and Methods

I. Comparison of valuation ideas and methods

From the perspective of the practical operation of M&A transactions, the fairness and reasonableness of transaction prices can generally be analysed through methods such as comparable company method, comparable transaction method, and discounted cash flow method. This Valuation Report does not adopt the discounted cash flow method, which is mainly because this transaction is a tender offer in the open market. Before the completion of the acquisition, it is unable to carry out on-site due diligence on the Target Company due to restrictions imposed by the relevant law and regulations and commercial confidentiality. Therefore, a detailed forecast of future earnings and cash flow cannot be carried out on the Target Company.

The core idea of the comparable company method is to analyse the pricing of the transaction with reference to the relevant indicators and valuation multiples of other comparable listed companies selected based on the characteristics of the Target Company.

The comparable transaction method uses the consideration of other comparable financing or M&A transactions as a reference to analyse the pricing of this transaction.

The advantages, disadvantages and applicability of the above two methods are as follows:

The advantage of the comparable company method is that it is based on the efficient market hypothesis, that is, the transaction price reflects all available information including industry trends, business risks, development speed, profitability etc., for which the information and related parameters are highly accessible; the disadvantages are that it is impossible to make accurate adjustments based on the business and financial differences between comparable companies, and it is impossible to take into consideration factors such as corporate governance and government supervision.

The advantage of the comparable transaction method is that the method is based on the actual transaction price of comparable transactions and the valuation standard is clear; the disadvantage is that there may be differences in terms of transaction structure, negotiation and process between different M&A transactions, even between transactions in the same industry and of the same type, may still have differences in terms of transaction structure, transaction negotiation and transaction process, etc. It may be difficult and subjective to select comparable transactions and make adjustment and analysis based on the actual situation.

This Valuation Report will analyse and value the pricing of this transaction through the comparable company method and comparable transaction method according to the actual conditions of the transaction; meanwhile, as the Target Company is a company listed on the Hong Kong Stock Exchange, this valuation will also consider the premium of the domestically listed company's bid to acquire Hong Kong listed companies, in order to analyse the fairness and reasonableness of the pricing of this transaction.

II. Comparable Company Method

(1) Selection of comparable company

AAG Energy is a company listed on the Hong Kong Stock Exchange and is primarily engaged in the exploration, development and production of CBM in China. AAG Energy engages in the business through entering into product sharing contracts with China United Coalbed Methane and PetroChina (two of the four state-owned companies authorised by the Chinese government to jointly explore, develop and produce CBM with foreign companies). According to the product sharing contracts, AAG Energy became the actual operator of the Panzhuang and Mabi blocks and obtained the rights to explore, develop and produce CBM in these blocks. Therefore, the selection of the comparable company must follow the following principles:

1. The comparable company is engaged in the same or similar industry or business as AAG Energy.
2. The comparable company needs to be a large-scale CBM exploration, development and production company.
3. The comparable company needs to be a listed company to ensure the availability, reliability and comparability of data.

Chinese CBM producers can be broadly classified as large state-owned enterprises, foreign CBM producers, and local coal mining companies. As an extension of the competitive advantages accumulated in the field of conventional natural gas, large state-owned enterprises, which mainly include PetroChina and China United Coalbed Methane, have inherent advantages in raising funds, pipeline accessing, and registering blocks. They play a leading role in China's CBM industry; currently, foreign CBM producers can only choose to cooperate with state-owned enterprises authorised by the Chinese government to conduct business within China; local coal mining companies (such as Blue Flame Holding, a subsidiary of the Jincheng Anthracite Mining Group) can carry out CBM development and production within the coal mining areas they own.

The domestic and foreign listed companies currently engage in the CBM business in Shanxi include: Shanxi Blue Flame Holding Co., Ltd. (hereinafter referred to as “**Blue Flame Holdings**”) (000968.SZ) listed on the Shenzhen Stock Exchange, Green Dragon Gas listed on the London Stock Exchange, Far East Energy, listed on the off-exchange electronic trading board in the United States, and AAG Energy (02686.HK), the subject of this transaction. Since Far East Energy has not achieved profitability in China, and Green Dragon Gas is only profitable in 2015, the comparable company that is the most suitable for this Valuation Report is Blue Flame Holdings.

Blue Flame Holdings was formerly known as Taiyuan Coal Chemicals Co., Ltd., and was listed on the Shenzhen Stock Exchange in 2000. Its main business is the production and sale of coal and coke. Its main products are raw coal, clean coal and middling coal. In July 2016, the Company launched a major asset reorganization, carried out asset replacement, disposed of assets, liabilities, personnel, etc.,

from the coal business, and injected 100% equity of Blue Flame CBM Co., Ltd. held by Shanxi Coal Group. The asset replacement was completed in December 2016. The company was renamed as “Blue Flame Holdings” and its main business changed to coal mine gas control and CBM exploration, development and utilization. It became the only CBM company among A-share companies, and the company’s controlling shareholder changed from Taiyuan Coal Gasification Group Co., Ltd. to Shanxi Jinmei Group and the beneficial owner was Shanxi Provincial State-owned Assets Supervision and Administration Commission. According to Blue Flame Holdings’ 2017 annual Valuation Report, CBM sales accounted for 58.89% of its revenue.

(2) Comparison of financial indicators

The comparison of the financial indicators of Blue Flame Holdings and AAG Energy in 2017 is as follows:

Table 1: Comparison of financial Indicators between AAG Energy and Blue Flame Holdings

Items	AAG Energy (2686.HK)	Blue Flame Holdings (000968.SZ)
Debt to Asset ratio	19.28%	55.65%
Net profit/operating income	33.83%	24.97%
ROA	3.04%	7.00%
ROE (weighted)	3.72%	18.89%

Source: Wind, 2017 Annual Report of Blue Flame Holdings, 2017 Annual Report of AAG Energy, Cinda Securities R&D Center

Note: In order to keep the timing of the financial data of the two listed companies consistent, data in their 2017 mid-year report were used.

In terms of profitability, there is little difference in terms of profitability between AAG Energy and Blue Flame Holdings. The debt-to-asset ratio of AAG Energy is only 19.28%, which is significantly lower than 55.65% of Blue Flame Holdings. However, the cost of exploration and development of CBM in the early stage is high, the ratio of asset subject to capitalization in the previous period is significant, and AAG Energy has only started commercial operation since 2016, compared to Blue Flame Holdings which started commercial operations for a longer period of time, resulting in the lower ROA and ROE of AAG Energy than Blue Flame Holdings.

(3) Results of valuation

The average trading price of Blue Flame Holdings on March 30, 2018 was RMB 12.80 per share. According to Blue Flame's 2017 EPS of RMB0.55, the P/E ratio is 23.27 times. According to Blue Flame's 2017 net assets per share of RMB3.267, the P/B ratio is 3.92 times.

AAG Energy's EPS in 2017 was RMB0.055 and its net asset per share was RMB1.48. Accordingly, the corresponding stock prices of AAG Energy are estimated to be RMB 1.28/share and RMB5.80 /share respectively, namely HKD1.60 /share and HKD7.27 / share. The offer price of this transaction is HKD1.75 /share, slightly higher than the P/E valuation under comparable company method of HKD1.60 /share, but much lower than the P/B valuation of HKD7.27 /share.

Table 2: Comparable Companies Valuation of AAG Energy

Relative valuation indicators of comparable company	Valuation of AAG Energy
Calculated according to P/E of Blue Flame Holdings (23.27)	RMB1.28 /share, HKD1.60/share*
Calculated according to P/E of Blue Flame Holdings (3.92)	RMB5.80 /share, HKD7.27/share*

* The exchange rate of RMB against HKD is based on the central parity rate of RMB in the inter-bank foreign exchange market on March 30, 2018 (RMB1 = HKD1.2523).

III. Comparable transaction

(1) Selection of comparable transaction

In this valuation, comparable transactions were selected according to the following principles:

1. Based on the business scope and the industry of AAG Energy, transactions that were announced and completed in the last 5 years (2012 - 2017) with publicly disclosed information were selected.

2. Considering that completion of this transaction will cause AAG Energy to become a subsidiary of Liming Holding Limited, comparable transactions were selected on the basis that the acquirer would obtain control over the target after the transaction was completed.

Based on the above principles, acquisition of Beijing Zhonghai Warburg Energy Development Co., Ltd. (“**Zhonghai Warburg**”) by Shanghai Worth Garden Co., Ltd. (“**Worth**”) and asset replacement between Taiyuan Coal Gasification Company, Limited (“* **ST Gas**”) and Blue Flame Holding were selected as the comparable transactions in this Valuation Report. Overview of comparable transactions:

Comparable Transaction 1: Acquisition of Zhonghai Warburg by Worth

Worth paid an aggregate of RMB1.224 billion to Shanxi Huijing Enterprise Management Consultancy Co., Ltd., Shanxi Ruilong Tiancheng Trade Co., Ltd., and Borui Tianchen (Beijing) Investment Co., Ltd. to acquire 27.20% equity interest in Zhonghai Warburg in October 2017. In the transaction, the purchase price of 100% equity interest in Zhonghai Warburg was RMB4.5 billion, indicating a P/B ratio of 7.43 against the audited book value of net assets as at September 30, 2017, which is RMB 605,395,200.

Comparable Transaction 2: Asset Replacement between * ST Gas and Blue Flame Holding

In December 2016, * ST Gas assigned its assets and liabilities other than any and all payable bonds, and a part of current assets, tax payables and interest payables to Blue Flame Holding in exchange for its equity interest of equal value, and *ST Gas also purchased the remaining equity interest of Blue Flame Holding from Jincheng Coal Group, the controlling shareholder of Blue Flame Holding, by issuing shares and paying Jincheng Coal Group in cash. Based on those, *ST Gas acquired 100% equity interest in Blue Flame Holding.

(2) Result of valuation

As of March 30, 2018, share price of AAG Energy was HKD1.37 per share. After communications and negotiations between the Listed Company and major shareholders of AAG Energy, price of this offer was fixed at HKD1.75 per share (subject to any announcement provided in the offer).

As of December 31, 2017, according to the 2017 Annual Report disclosed by AAG Energy, its total assets, equity attributable to the owners of the parent and net asset per share was respectively RMB 6.132 billion, RMB4.950 billion and RMB 1.48 (approximately HKD1.85 per share). Based on the current offer price of HKD1.75 per share, P/B of AAG Energy is 0.95, which was not only lower than the P/B in the Comparable Transaction 1, but also lower than the P/B in the Comparable Transaction 2.

The following is the comparison of valuation indicators between the target and comparable transactions:

Table 3: Target valued by comparable transaction method

Relative valuation indicators of comparable company	Estimated value of AAG Energy
Based on P/B=7.43 in the Comparable Transaction 1	RMB 11.00 per share, HKD 13.78 per share *
Based on P/B=1.28 in the Comparable Transaction 2	RMB 1.89 per share, HKD 2.37 per share *

* The exchange rate of RMB against HKD is based on the central parity rate of RMB in the inter-bank foreign exchange market on March 30, 2018 (RMB1 = HKD1.2523).

IV. Discounted cash flow method

This transaction is a tender offer in the open market. Prior to the completion of the acquisition, we cannot carry out on-site due diligence on the target due to restrictions imposed by overseas laws and regulations and commercial confidentiality, and can only obtain relevant information from the public sources. Therefore, we cannot provide detailed forecast about the future profits and cash flows of the target in this Valuation Report. At the same time, it is estimated that the future revenue increase of AAG Energy will be primarily attributable to Mabi Block, however, NDRC has not yet registered the phase-1 ODP of Mabi Project. Therefore, it is difficult to estimate the daily output of single well at the stages of development and commercial operation of the project, as well as the costs of exploration and fracturing of single well by different exploration methods. In addition, since China's natural gas market is currently in the stage of reform, it is difficult to predict when the policies such as natural gas prices and third-party access to pipeline transportation will be introduced and the influence of those policies. Many variables and assumptions used in the discounted cash flow valuation model have a direct impact on the accuracy of the prediction, therefore, the discounted cash flow is not used for this transaction.

V. Transaction premium in A-share listed companies' acquisition of Hong Kong-listed companies by way of tender offer

Offer price paid for the acquisition of an overseas listed company by a domestically listed company through tender offer is usually at a premium to the target company's trading price in the open market. Based on the situation of acquisition of Hong Kong-listed company by domestically listed company through tender offer since 2015, we selected tender offer initiated by 3 listed companies for comparison: Yuantong Express (600233.SH), China COSCO (601919.SH) and China Grand Automotive (600297.SH). We analysed the premium of the offer price relative to the average stock price over 1 trading day, 30 trading days, 60 trading days and 120 trading days before the announcement of the offer.

(1) Premium for this transaction

Since AAG Energy has not yet announced this tender offer, the premium level of the tender offer for this transaction had to be analysed on the basis of the average stock price of AAG Energy over 1 trading day, 30 trading days, 60 trading days and 120 trading days before the benchmark date, which is March 30, 2018. The details are as follows:

The offer price of shares in this transaction is HKD1.75 per share

Items	1 trading day before the benchmark date	30 trading days before the benchmark date	60 trading days before the benchmark date	120 trading days before the benchmark date
Average stock price (HKD/share)	1.37	1.32	1.24	1.12
Offer premium rate	27.74%	32.58%	41.13%	56.25%

(2) Premium of comparable transactions

1. Yuantong Express (600233.SH) offers to acquire On Time Logistics Holdings Limited (6123.HK)

(1) Announcement date of offer: May 8, 2017

(2) Offer price of shares: HKD4.0698 / share

Items	1 trading day before the announcement date	30 trading days before the announcement date	60 trading days before the announcement date	120 trading days before the announcement date
Average stock price (HKD/share)	3.76	3.54	3.27	3.12
Offer premium rate	8.24%	14.97%	24.46%	30.44%

2. China COSCO (601919.SH) offers to acquire Orient Overseas International (0316.HK)

(1) Announcement date of offer: July 9, 2017

(2) Offer price of shares: HKD78.67 / share

Items	1 trading day before the announcement date	30 trading days before the announcement date	60 trading days before the announcement date	120 trading days before the announcement date
Average stock price (HKD/share)	60.00	51.35	46.60	44.72

Offer premium rate	31.12%	53.20%	68.82%	75.92%
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3. China Grand Automotive (600297.SH) offers to acquire Baoxin Auto (1293.HK)

(1) Announcement date of offer: December 11, 2015

(2) Offer price of shares: HKD5.99 / share

Items	1 trading day before the announcement date	30 trading days before the announcement date	60 trading days before the announcement date	120 trading days before the announcement date
Average stock price (HKD/share)	4.15	3.40	3.31	3.66
Offer premium rate	44.34%	76.18%	80.97%	63.66%

(3) Comparison result

Items	1 trading days before announcement/ benchmark date	30 trading days before announcement/ benchmark date	60 trading days before announcement/ benchmark date	120 trading days before announcement/ benchmark date
Offer premium rate of this transaction	27.74%	32.58%	41.13%	56.25%
Offer premium rate of comparable transaction (average)	27.90%	48.12%	58.08%	56.67%

Comparisons in the above table have shown that the tender offer premium rate of this transaction is lower than the average of the tender offer premium rate of comparable transactions as at the 30 trading days and 60 trading days before the benchmark date / announcement date. As at 1 trading day and 120 trading days before benchmark/announcement date, the tender offer premium rate of this transaction is close to the average tender offer premium rate of comparable transactions.

VI. Valuation and analysis of comparison results

According to the comparable company method, the corresponding stock price of AAG Energy is HKD1.60 per share in the case of P/E-based valuation, and HKD7.27 per share in the case of P/B-based valuation. According to the comparable transaction method, the corresponding stock price of AAG Energy is HKD13.75 per share in the case of calculation based on P/B multiple in the Comparable Transaction 1, which is 7.43, and HKD2.37 per share in case of calculation based on P/B multiple in the Comparable Transaction 2, which is 1.28, respectively.

The price of this offer is higher than the price resulted from P/E-based valuation that is conducted under the comparable company method, but lower than the price resulted from P/B-based valuation that is conducted under the comparable company method and the valuation results under the comparable transaction method.

The acquisition of AAG Energy allows the Company to expand its business areas and fields, and exert the synergy effect through the integration of upstream and downstream industrial chains, thus gradually narrowing its gap with leading companies in the industry, and enhancing the Company's discourse power in the industry. At the same time, based on the premium level achieved in the offer acquisition of Hong Kong-listed companies by other domestically listed companies, the price of this transaction is reasonable and fair.

Chapter III Valuation Assumptions

I. General assumptions

(1) Open market assumptions

The open market assumptions assume that parties to the transaction of assets traded or to be traded on the market are equal in status and are granted with the opportunities and time to obtain sufficient market information so as to make sensible judgments with respect to the functions, purposes and transaction prices of the assets. The open market assumptions are based on the publicly tradable assets in the market.

(2) Going-concern assumption

The going-concern assumption is an assumption that subject to an enterprise's continuous and normal production and business activities, that enterprise will continue to operate according to its current scale and status and will neither suspend operations, nor cut business on a large scale in the foreseeable future.

II. Special assumptions

1. This Valuation Report assumes that the external economic environment remains unchanged and that there is no major change in the country's current macroeconomic environment on the benchmark date.

2. There are no significant changes in the socio-economic environment in which the enterprise is located and the taxation burden, tax rate, and other policies to which it is subject.

3. With respect to the companies involved, their management will perform due diligence in the future operations and continue to maintain the current operation and management mode.

4. There are no other force majeure factors and unforeseen factors that have a significant adverse effect on the Company.

5. The Valuation Report assumes that the relevant basic data, financial information and public information are true, accurate and complete. When the above conditions change, the analysis in this Valuation Report will generally fail.

Chapter IV Conclusions

I. Conclusions

Based on the above analysis, the Company's acquisition of AAG Energy by way of an offer can further improve the strategic implementation of "Energy Industry Chain", expand its path to develop from a global perspective and enhance its sustainable operation ability and core competitiveness. We believe that the offer price of the transaction is reasonable and fair, and there is no harm to the interests of the Company and its shareholders.

II. Restricted use

This Valuation Report can only be used for the purposes set out herein. At the same time, this Valuation Report is to demonstrate whether the transaction price is reasonable under the stated purposes hereof, without taking into account changes in the country's macroeconomic policies and the impact of natural forces and other force majeure on asset prices. When the above conditions and such conditions as going-concern assumptions followed by the Valuation Report change, the analysis in this Valuation Report will generally fail. We disclaim any legal liability for the invalidation of the results hereof due to changes in these conditions. The establishment of this Valuation Report is subject to the compliance of the transaction with the relevant national laws and regulations, and the approval/filing of the relevant authorities. Without our consent and review, this Valuation Report may not be excerpted, quoted or disclosed in the public media either in whole or in part, unless otherwise stipulated by relevant laws and regulations and agreed by the parties concerned. The opinions expressed by us in its Valuation Report are based on the market conditions, economic situation, financial status and other information obtained as at March 30, 2018. This Valuation Report does not consider any events or circumstances that occurred after the benchmark date. Investors are kindly revised to pay attention to relevant announcements or events that are subsequently issued on the benchmark date. According to the purpose hereof, this Valuation Report does not consider the future trading activities and stock price performance of the relevant companies.

The Valuation Report is valid for 12 months from April 27, 2018 to April 26, 2019.

(This page is intentionally left blank as the signature page of the Valuation Report of Cinda Securities Co., Ltd., in relation to the major asset restructuring of Xinjiang Xintai Natural Gas Co. Ltd.)

Valued by:
Zhang Yansheng

Cinda Securities Co., Ltd.

Date:

The following is the text of a letter in relation to the valuation report issued by the Cinda Securities Co., Ltd. (which is also referred to as "the Cinda Analysis" in other parts of this Offer Document) by Gram Capital Limited (an independent financial adviser to the Offeror) in compliance with Rule 11.1(b) of the Takeovers Code.



5 July 2018

The sole director

Liming Holding Limited
3806 Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Dear Sir,

Reference is made to a valuation report (the "**Report**") issued by Cinda Securities Co., Ltd. ("**Cinda Securities**") as contained in Appendix III to the offer document issued by Liming Holding Limited dated 5 July 2018 (the "**Offer Document**"). Capitalised terms used in this letter shall have the same respective meanings as defined in the Offer Document unless the context otherwise requires.

This letter constitutes our report on qualification and experience of Cinda Securities to prepare the Report as required under Rule 11.1(b) of the Takeovers Code.

We have conducted reasonable checks to assess the relevant qualification, experience and expertise of Cinda Securities, including reviewing the supporting documents on the qualification of Cinda Securities and discussing with Cinda Securities on their qualifications and experience.

We have assumed that all information and representations that have been provided by the sole director of the Offeror (the "**Offeror Director**") to us, for which he is solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention in respect of Cinda Securities' qualification and experience made by the Offeror Director to us were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts in respect of Cinda Securities' qualification and experience, or the reasonableness of the opinions expressed by the Offeror, its advisers and/or the Offeror Director, which have been provided to us.

On the basis of the foregoing, we are of the opinion that Cinda Securities is suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Report competently and the personnel engaged in the Report meet the regulatory requirements which apply in the circumstances in which the Report is required.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders, Option Holders and RSU Holders with regard to the Offeror and the Offers.

Mr. Guo Zhihui, being the sole director of the Offeror, accepts full responsibility for the accuracy of the information contained in this Offer Document (other than the information relating to the Group), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

The directors of Xinjiang Xintai, namely Mr. Ming Zaiyuan, Mr. Ming Zaifu, Mr. Yin Xianfeng, Mr. Guo Zhihui, Mr. Duan Xianqi, Mr. Zhang Hongxing, Mr. Huang Jian (independent director), Mr. Qu Xuezhong (independent director) and Ms. Zhang Yinjie (independent director), jointly and severally accept full responsibility for the accuracy of the information contained in this Offer Document (other than the information relating to the Group), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

The information relating to the Group in this Offer Document has been extracted from or based on publicly available information of the Company, including without limitation its annual report for the year ended 31 December 2017 and its monthly return for the month ended 31 May 2018. The only responsibility accepted by the sole director of the Offeror, and jointly and severally by the directors of Xinjiang Xintai, in respect of such information is for the correctness and fairness of its reproduction or presentation.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on: (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price of Shares (HK\$)
2017	
31 October	0.990
30 November	0.900
29 December	1.130
2018	
31 January	1.170
28 February	1.360
29 March	1.370
9 April (<i>being the date of publication of the Rule 3.7 Announcements</i>)	1.520
30 April	1.500
14 May (<i>being the Last Trading Day</i>)	1.610
31 May	1.620
29 June (<i>being the Latest Practicable Date</i>)	1.540

Note: Trading of Shares was suspended from the morning session of 4 April 2018 to the afternoon session of 9 April 2018 pending the release of the Rule 3.7 Announcements.

During the six-month period preceding the date of the Rule 3.7 Announcements and up to the Latest Practicable Date, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.70 on 17 April 2018 and HK\$0.89 on 21 November 2017, respectively.

3. DISCLOSURE OF INTERESTS IN THE COMPANY AND DEALINGS IN SECURITIES

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for the Irrevocable Undertakings pursuant to which each of WP China and Baring has irrevocably undertaken to the Offeror that it will accept the Partial Offer in respect of all the Shares held by it (representing approximately 25.20% and 20.55%, respectively, of the issued share capital of the Company as at the Latest Practicable Date), the Offeror, its ultimate beneficial owner, and/or concert parties of any of them had not received any irrevocable commitment to accept or reject the Offers;
- (ii) there were no outstanding derivatives in respect of the securities in the Company which had been entered into by the Offeror, its ultimate beneficial owner and/or any concert parties of any of them;
- (iii) none of the Offeror, Mr. Guo Zhihui, its ultimate beneficial owner and/or concert parties of any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company or had dealt for value in any the relevant securities of the Company during the Relevant Period (other than dealings for the account of non-discretionary investment clients as agency trades);
- (iv) there was no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or concert parties of any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (v) there was no arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code;
- (vi) none of the Offeror, its ultimate beneficial owner, and/or concert parties of any of them had borrowed or lent any relevant securities of the Company;
- (vii) there was no benefit given or to be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (viii) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or its concert parties and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the Offers; and
- (ix) save for the share mortgage to be created over any Shares acquired by the Offeror under the Offers in favour of China Minsheng Bank pursuant to the acquisition loan facility entered into with China Minsheng Bank in connection with the Offers, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons.

4. EXPERTS AND CONSENTS

The followings are the names and qualifications of the experts whose letters, opinions or advice are contained or referred to in this Offer Document:

Name	Qualifications
Citi	a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities, being the financial adviser to the Offeror
Gram Capital Limited	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Offeror
Cinda Securities Co., Ltd	a PRC licensed corporation, being the financial advisor to Xinjiang Xintai in relation to PRC matters

Each of the above experts has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its letter, opinions or advice and references to its name in the form and context in which it appears.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) from 9:00 a.m. to 5:00 p.m. at the principal place of business of Linklaters, solicitors for the Offeror, at 10th Floor, Alexandra House, Chater Road, Hong Kong; (ii) on the Securities and Futures Commission's website at <http://www.sfc.hk/>; and (iii) on the website of Xinjiang Xintai at <http://www.xjxtrq.com> during the period from 5 July 2018, being the date of this Offer Document, up to as long as the Offers remain open for acceptance:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the audited consolidated accounts of Xinjiang Xintai for the last two financial years ended on 31 December 2017 for which these have been published;
- (iii) the letter from Citi set out on pages 11 to 20 of this Offer Document;
- (iv) the Cinda Analysis published on 15 May 2018 by Xinjiang Xintai on the website of Shanghai Stock Exchange (www.sse.com.cn), the text of which is set out in Appendix III to this Offer Document;
- (v) the letter from Gram Capital Limited dated 5 July 2018 in respect of the Cinda Analysis prepared in accordance with Rule 11.1(b) under the Takeovers Code, the text of which is set out in Appendix IV to this Offer Document;
- (vi) the written consents referred to in the paragraph headed "Experts and Consents" above; and
- (vii) the Irrevocable Undertakings.

6. MISCELLANEOUS

- (i) The principal members of the Offeror's concert group are:
 - the sole director of the Offeror, namely Mr. Guo Zhihui, whose correspondence address is No. 3806, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong;

- the sole director of 四川利明能源開發有限責任公司 (Sichuan Liming Energy Development Co., Ltd.*) is 明再富 (Mr. Ming Zaifu*), whose correspondence address is No. 2-4, 2/F, Block 1, Xi Wang, Cheng, No. 477 Lushan North Road, Deyang, Sichuan, China;
- Xinjiang Xintai whose registered address is Shop 2, 1/F, Block 25, Loulan New Town, No. 179 Zhizhushan Street, Aletay Road, Urumqi High-tech Industrial Development Zone (Xinshi District), Xinjiang, China; and
- the directors of Xinjiang Xintai, namely Mr. Ming Zaiyuan (who is also a controlling shareholder of Xinjiang Xintai), Mr. Ming Zaifu, Mr. Yin Xianfeng, Mr. Guo Zhihui, Mr. Duan Xianqi, Mr. Zhang Hongxing, Mr. Huang Jian (independent director), Mr. Qu Xuezhong (independent director) and Ms. Zhang Yinjie (independent director), whose correspondence addresses are as follows:

Name	Address	Description
Ming Zaiyuan	No.2, 1F, Unit 1, No.2 Qingnian Road, Shengyang District, Deyang City, Sichuan Province, China	Director (and a controlling shareholder of Xinjiang Xintai)
Yin Xianfeng	No.2, 5F, Unit 1, Building 8, No.281, 2nd Section North Taishan Road, Shengyang District, Deyang City, Sichuan Province, China	Director
Guo Zhihui	No. Fu 8, No.31 Qingnian Road, Shengyang District, Deyang City, Sichuan Province, China	Director
Duan Xianqi	No.1, 3F, Unit 1, Building 4, No.209, 1st Section North Emei Road, Shengyang District, Deyang City, Sichuan Province, China	Director
Zhang Hongxing	No.501, Unit 1, Building 6, Jingdu Community, No.6 South Beijing Road, Xinshi District, Urumqi City, Xinjiang, China	Director
Huang Jian	No.602, Unit 3, Building 2, No.2 North Qingnian Road 2 Lane, Tianshan District, Urumqi City, Xinjiang, China	Independent Director
Qu Xuezhong	No.501, Unit 4, Building 3, No.55 North Xinhua Road, Tianshan District, Urumqi City, Xinjiang, China	Independent Director
Zhang Yinjie	Room 701#1, No.298 Guangling 2 Road, Hongkou District, Shanghai, China	Independent Director

- (ii) Citi is making the Offers for and on behalf of the Offeror and is the financial adviser to the Offeror relating to the Offers. The registered office of Citi is situated at 50/F Champion Tower, 3 Garden Road, Hong Kong.
- (iii) The registered office of the Offeror is situated at No. 3806, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.