



# 嘉興市燃氣集團股份有限公司 JIAXING GAS GROUP CO., LTD.\*

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

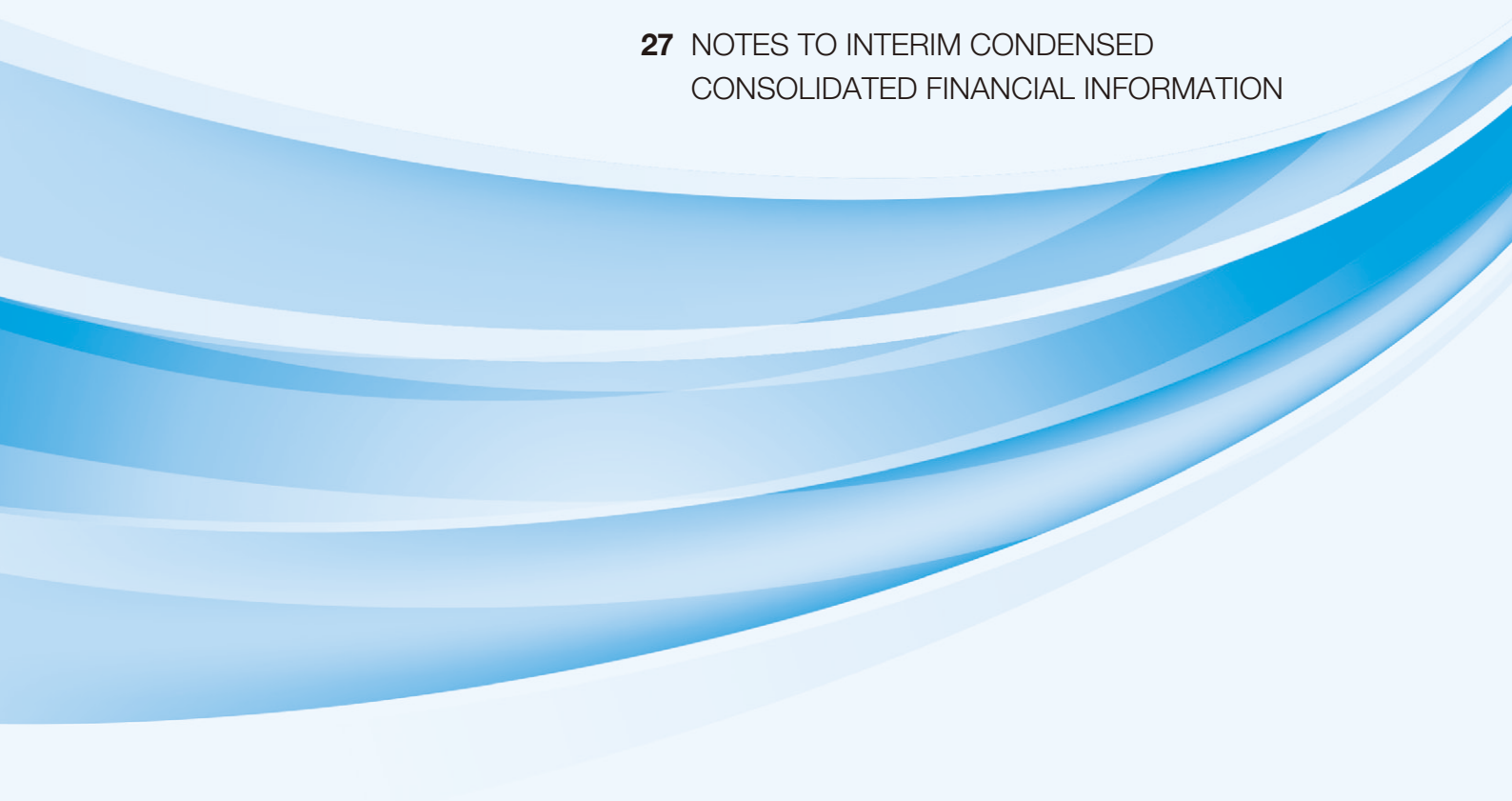
Stock code : 9908

2020  
INTERIM REPORT

\* For identification purposes only



# CONTENTS

- 02** CORPORATE INFORMATION
  - 03** DEFINITIONS
  - 05** MANAGEMENT DISCUSSION AND ANALYSIS
  - 12** CORPORATE GOVERNANCE AND OTHER INFORMATION
  - 20** INDEPENDENT REVIEW REPORT
  - 21** INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
  - 22** INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
  - 24** INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
  - 25** INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
  - 27** NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
- 

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Sun Lianqing (*Chairman and chief executive officer*)  
Mr. Xu Songqiang

### Non-executive Directors

Mr. He Yujian  
Mr. Zheng Huanli  
Mr. Fu Songquan

### Independent Non-executive Directors

Mr. Xu Linde  
Mr. Yu Youda  
Mr. Cheng Hok Kai Frederick

## SUPERVISOR

Ms. Liu Wen  
Ms. Xu Shuping  
Mr. Wang Dongzhi

## AUDIT COMMITTEE

Mr. Cheng Hok Kai Frederick (*Chairman*)  
Mr. Yu Youda  
Mr. Xu Linde

## NOMINATION COMMITTEE

Mr. Sun Lianqing (*Chairman*)  
Mr. Xu Linde  
Mr. Yu Youda

## REMUNERATION COMMITTEE

Mr. Yu Youda (*Chairman*)  
Mr. He Yujian  
Mr. Cheng Hok Kai Frederick

## JOINT COMPANY SECRETARIES

Ms. Zhou Caihong  
Ms. Sun Ah Tsang (ACS, ACIS)

## AUTHORIZED REPRESENTATIVES

Mr. Sun Lianqing  
Ms. Sun Ah Tsang

## REGISTERED OFFICE AND HEADQUARTER IN THE PRC

5th Floor, Building 3  
Hualong Plaza  
Economic and Technological Development Zone  
Jiaxing  
Zhejiang Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## HONG KONG H SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## AUDITOR

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

## LEGAL ADVISOR

*As to Hong Kong Law*  
Chiu & Partners  
40/F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to PRC Law*  
Jia Yuan Law Offices  
F408, Ocean Plaza  
158 Fuxing Men Nei Street  
Xicheng District  
Beijing 100031  
China

## COMPLIANCE ADVISOR

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

## PRINCIPAL BANKERS

Bank of Communications Co., Ltd. (Jiaxing Branch)  
No. 1086, Zhongshan East Road  
Jiaxing  
Zhejiang Province  
PRC

Bank of Jiaxing Co., Ltd  
No. 1001, Changsheng South Road  
Jiaxing  
Zhejiang Province  
PRC

## STOCK CODE

9908

## COMPANY WEBSITE

<http://www.jxrqgs.com/>

## DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended from time to time
“City Development”	Jiaxing City Investment & Development Group Co., Ltd. (嘉興市城市投資發展集團有限公司), a state-owned enterprise established under the laws of PRC on 21 December 2009 and solely owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) and is indirectly wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會)
“Company” or “our Company”	JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) (formerly known as Jiaxing Coalgas Company Limited* (嘉興市煤氣有限責任公司), Jiaxing Gas Company Limited* (嘉興市燃氣有限公司) and Jiaxing Gas Company Group Limited* (嘉興市燃氣集團有限公司), a joint stock limited liability company established under the laws of the PRC on 15 March 1998
“Directors” or “our directors”	the directors of our Company
“Domestic Shares”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“Group”	our Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1 each, which are traded in Hong Kong dollars and listed on the Stock Exchange
“Hangjiaxin”	Zhejiang Hangjiaxin Clean Energy Company Limited* (浙江杭嘉鑫清潔能源有限公司), a limited liability company established under the laws of the PRC on 24 July 2017 and owned as to 51% by our Company and regarded as a joint venture of our Company under the applicable accounting standards and a subsidiary of our Company pursuant to the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

## DEFINITIONS (continued)

“LNG”	liquefied natural gas
“LPG”	liquefied petroleum gas
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this interim report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus dated 30 June 2020 issued by the Company
“Qianyu”	Qianyu Group Company Limited* (乾宇集團有限公司), a limited liability company established under the laws of the PRC on 14 July 2009 and an associate of Mr. Fu Songquan (傅松權), our non-executive Director
“Reporting Period” or “Period”	the six-month period from 1 January 2020 to 30 June 2020
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, including both the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Taiding”	Zhejiang Taiding Investment Company Limited* (浙江泰鼎投資有限公司), a limited liability company established under the laws of the PRC on 26 January 2011 and owned as to 65% by Mr. Sun Lianqing and 35% by Ms. Xu Lili, the spouse of Mr. Sun Lianqing
“Zhuji Yujia”	Zhuji Yujia New Energy Technology Company Limited* (諸暨宇嘉新能源科技有限公司), a limited liability company established under the laws of the PRC on 13 December 2018, a wholly-owned subsidiary of Qianyu and an associate of Mr. Fu Songquan (傅松權), our non-executive Director

*In this interim report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language are marked with “\*” and are provided for identification purposes only.*

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

Looking back to the first half of 2020, the outbreak of COVID-19 pandemic has various impacts, posing great challenges to the economic growth of China. Firstly, countries around the world, including China, have taken some social distancing measures to contain the outbreak, which has affected the economic activities. Secondly, demand and production are affected, and some industries including catering, tourism and transportation industries are obviously impacted in the short term. The demand of downstream end consumers for natural gas is weak in China. In addition, in the first half of the year, the price of imported LNG declined continuously and hit new lows, showing the fierce competition with the downstream market of piped gas.

In the face of the severe test arising out of the outbreak of novel coronavirus pneumonia and the domestic and international environments which are complicated and changing, efforts across China are made to promote epidemic prevention and control and economic and social development, resolutely implement various decisions and arrangements, thus continuously improving the situation of epidemic prevention and control, and accelerating the resumption of work, production and business activities. There is an economic downturn followed by an economic rise. In the second quarter of 2020, the economic growth turned from negative to positive, with main indicators returning to growth. The economic operation recovered steadily. Efforts were made to meet basic living needs. The market was expected to improve as a whole. The social development was stable. In the face of the outbreak and economic recovery, the energy industry of China ensured the supply, making an indispensable contribution in the fight against the outbreak, during the outbreak, by significant increase in the work and production resumption rate, steady growth in production, gradual increase in the consumption, continuous pick-up of investment, and continuous promotion of energy construction.

## BUSINESS REVIEW

For the six months ended 30 June 2020, the revenue of the Group was RMB558.1 million, representing a decrease of 13.77% compared with RMB647.2 million in the same period of last year. For the period, the gross profit of the Group was RMB89.0 million, representing a decrease of 12.23% compared with RMB101.4 million in the same period of last year. The gross profit margin of the Group increased from 15.67% to 15.95%. For the period, the profit attributable to owners of the parent was RMB40.3 million, representing a decrease of 17.42% compared with RMB48.8 million in the same period of last year.

As at 30 June 2020, the Group, as the largest PNG supply operator in Jiaying City, Zhejiang Province, China, operated a natural gas pipeline network in Operating Area in Jiaying, with the total length of approximately 896.6 km (comprising 596.0 km of self-invested pipeline network and 300.6 km of leased urban pipeline network, and excluding 53.6 km of urban pipeline network under construction, among which 23.2 km was self-invested).

The storage and transportation station project of Hangjiaying for LNG emergency peak shaving under construction in Pinghu, Jiaying, Zhejiang mainly includes reservoir area projects and terminal projects. As at 30 June 2020, approximately 80% of the reservoir area project was completed, and the project was expected to be completed in the fourth quarter of 2020; the terminal project is expected to be completed in the second quarter of 2021.

The city saw a stable situation of epidemic prevention and control, recovery growth and steady recovery of economic operation, continuous improvement in meeting living needs, gradual pick-up and improvement of economic indicators, and strong economic rebound momentum. The macroeconomic situation of Jiaying City, which gradually improves, provides an important guarantee for the gradual pickup in the business development of the Group in the second half of the year.

As at 30 June 2020, the Group had 358,000 residential users and 1,712 industrial and commercial users within the pipeline network coverage, including 11,000 new residential users and 49 new industrial and commercial users in the first half of the year.

### SEGMENTAL ANALYSIS

#### PNG Sales Business

The Group sells PNG to users including residential users and industrial and commercial users, through the gas pipeline network. For the six months ended 30 June 2020, the total revenue of the Group from the PNG sales business was RMB427.2 million, representing a decrease of 17.27% compared with RMB516.4 million in the same period of last year. For the six months ended 30 June 2020, the total gas supply volume was 153.3 million m<sup>3</sup>, representing a decrease of 10.09% compared with 170.5 million m<sup>3</sup> in the same period of last year. For the period from January to June 2020, the residential consumption of gas was 29.7 million m<sup>3</sup>, accounting for 19.37%, and the industrial and commercial consumption of gas was 123.6 million m<sup>3</sup>, accounting for 80.63%. For the same period of last year, the residential consumption of gas was 27.7 million m<sup>3</sup>, accounting for 16.25%, and the industrial and commercial consumption of gas was 142.8 million m<sup>3</sup>, accounting for 83.75%.

The above decrease in revenue is mainly due to the price transmission by the Group to end users as a result of a decline in the upstream natural gas price in the first half of 2020, and a drop in gas consumption by certain industrial and commercial users as a result of the impact of the outbreak of novel coronavirus pneumonia.

#### LNG Sales Business

The Group supplies LNG to industrial users in certain areas of Jiaxing by retail. For the six months ended 30 June 2020, the total revenue of the Group from the LNG sales business was RMB16.9 million, representing an increase of 160.00% compared with RMB6.5 million in the same period of last year. The main reason for the increase was because the Group seized the opportunity of lower LNG price and optimized the supply under the gas source structure, and formulated market strategies guided by the user demand, and tapped into the demand of new users for gas consumption and effectively stimulated gas consumption by users.

#### LPG Sales Business

The Group sells bottled LPG to residential users and industrial and commercial users by retail. For the six months ended 30 June 2020, the total revenue of the Group from the LPG sales business was RMB25.4 million, representing a decrease of 40.09% compared with RMB42.4 million in the same period of last year, mainly due to a decline in the wholesales arising out of a decrease in the demand of industrial users for gas consumption, affected by the outbreak of novel coronavirus pneumonia in the for the first half of 2020, and the fall in the unit price of LPG, affected by the international petroleum market in the first half of 2020.

#### Natural Gas Pipeline Construction and Installation Business

The construction and installation business of the Group focuses on the construction and installation of end-user pipeline network and gas facilities as required by customers. For the six months ended 30 June 2020, the revenue from the natural gas pipeline construction and installation business was RMB65.3 million, representing an increase of 13.57% compared with RMB57.5 million in the same period of last year, mainly due to the increase in the number of projects completed in the first half of the year compared with the same period of last year.

### Natural Gas Transportation Business

The Group provides services of transportation of natural gas (including LNG). For the six months ended 30 June 2020, the total revenue of the Group from the natural gas transportation business was RMB1.8 million, representing a decrease of 37.93% compared with RMB2.9 million in the same period of last year, mainly due to a decline in the transportation volume as a result of factors including the market environment and the reconstruction of customers' terminals.

### Vapour Sales Business

The Group produces vapour by boiling water with natural gas and supply it through vapour pipelines. For the six months ended 30 June 2020, the total revenue of the Group from the vapour sales business was RMB10.3 million, representing an increase of 0.98% compared with RMB10.2 million in the same period of last year, showing a steady increase.

### Construction Materials Sales Business

For the six months ended 30 June 2020, the total revenue from the construction materials sales was RMB6.6 million, representing a decrease of 12.00% compared with RMB7.5 million in the same period of last year, mainly due to a decline in the sales of engineering materials, affected by the outbreak of COVID-19 pandemic.

### Adjustment of Natural Gas Price

There are no new adjustments to the guidance prices for PNG sales and the guidance prices for PNG gateway stations in Jiaying City for the period from 20 June 2020, being the latest practicable date of the Prospectus, to 30 June 2020, Please refer to the Prospectus for details.

## PROSPECTS

### Encouraging Direct Transactions Between Upstream and Downstream PNG Enterprises

On 7 April 2020, the Development and Reform Commission of Zhejiang Province published the 2020-2021 Pilot Implementation Plan for Direct Transactions Between Upstream and Downstream PNG Enterprises and Transportation Via Pipeline Networks in Zhejiang Province (for Trial Implementation) (2020-2021 年浙江省管道天然氣上下游直接交易暨管網代輸試點實施方案(試行)), marking a substantial progress in the reform of the natural gas system in Zhejiang Province. With a focus on the reform goal of "strengthening guarantee, reducing costs and ensuring safety", the Plan encourages upstream and downstream PNG enterprises to conduct direct transactions, significantly changes the centralized sales and purchase, continuously expands pilot projects of pipeline transportation, and effectively reduces the gas consumption cost of enterprises, according to the reform requirement of independent pipeline networks and separation between management and sales. The Plan specifies that efforts should be made to achieve the goal of increasing the size of direct transactions between upstream and downstream PNG enterprises to more than 3 billion m<sup>3</sup> in the year, and reducing the gas consumption cost by more than RMB300 million in the province.



### Business Environment

Pursuant to the China's Urban Business Environment Report 2019 issued by China Media Group on 18 June 2020, Jiaxing City ranked among the top 20 in economically powerful cities (excluding municipalities, provincial capital cities, capitals of the autonomous regions and separately planned cities), in the comprehensive ranking in terms of business environment.

The Group will seize every opportunity from policies and actively answer the call of the government. Meanwhile, the excellent business environment of Jiaxing City is also a strong guarantee for the future business development of the Group. The Group will make efforts to expand its businesses, accelerate the smart gas construction, continuously improve the management level, and open a new way forward in the new era and under new policies and new situations.

### Diversified Development

Under the strategic direction of diversified development, the Group actively explores new business sectors and provides users with more diversified products and services to meet the actual production and living needs of users. The Group sells peripheral products including gas stoves, gas water heaters and corrugated pipes to residential users and industrial and commercial users by retail, and provides facility maintenance services to industrial and commercial users.

### Smart Gas Construction

Informationization has become a huge engine to lead the reform and innovation of the modern service industry. Supported by the rapid development of the Internet of Things technology, it has a profound impact on the business model, management model and working model of an enterprise, and helps achieve the goal of quality and efficiency improvement, user experience enhancement and creation of a new profit model. The Group has put forward the task of "smart gas" construction and formulated the three-year plan for "smart gas", with a focus on improving work efficiency, strengthening delicacy management, enhancing user experience and steadily promoting system construction. In consideration of new issues arising out of the outbreak of novel coronavirus pneumonia in the year, it puts forward the intelligent solutions for its office management and indoor meter reading.

## FINANCIAL OVERVIEW

### Revenue

For the Period, the revenue of the Group was RMB558.1 million, representing a decrease of 13.77% compared with RMB647.2 million in the same period of last year, mainly due to the decline in the average unit selling price and the sales volume of natural gas.

### Gross Profit

For the Period, the gross profit of the Group was RMB89.0 million, representing a decrease of 12.23% compared with RMB101.4 million in the same period of last year, mainly due to the decline in the unit selling price and the sales volume of natural gas. The gross profit margin of the Group increased from 15.67% to 15.95%, mainly due to a slight increase in the gross profit margin of LPG and vapour sales and gas pipeline construction during the period.

### Other Income and Gains

For the Period, the other income and gains of the Group were RMB1.3 million, representing an increase of 116.67% compared with RMB0.6 million in the same period of last year, due to an increase in government grants compared with the same period of last year.

### Finance Costs

For the Period, the finance costs of the Group were RMB6.8 million, representing a decrease of 23.60% compared with RMB8.9 million in the same period of last year, mainly due to a decrease in short-term borrowings and interest expenses.

### Income Tax Expense

For the Period, the income tax expense of the Group was RMB11.9 million, representing a decrease compared with RMB16.3 million in the same period of last year. The effective tax rate for the period was 22.37%.

### Profit Attributable to Owners of the Parent

For the Period, the profit attributable to owners of the parent was RMB40.3 million, representing a decrease of 17.42% compared with RMB48.8 million in the same period of last year, mainly due to a decrease in the gross profit arising out of the provision of price discounts by the Group to keep the user demand stable, considering the high price sensitivity of users, affected by the outbreak of COVID-19 pandemic.

### Liquidity and Financial Position

As at 30 June 2020, the current assets of the Group amounted to RMB229.8 million (31 December 2019: RMB167.9 million), of which cash and bank balance were RMB127.7 million, mainly denominated in RMB.

As at 30 June 2020, the current ratio (current assets/current liabilities) of the Group was 0.74 (31 December 2019: 0.38) and the asset-liability ratio (total liabilities/total assets) was 71.86% (31 December 2019: 73.66%). As at 30 June 2020, the utilised bank loans were RMB212.3 million, all of which were denominated in RMB, with the annual interest rate of 3.67%-4.99%. As at 30 June 2020, the unutilised bank credit balance was RMB766.0 million.

The gearing ratio of the Group was about 53.33% as at 30 June 2020 (as at 31 December 2019: about 54.20%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 30 June 2020, the Group maintained a net cash position.

### Exchange Rate Fluctuation Risk

As the Group operates all its businesses in the PRC, and most of its revenues and expenses are denominated in RMB, there is no significant risk in relation to exchange rate fluctuations. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate measures when necessary.

## Contingent Liabilities

As at December 2018, with the guarantee provided by the Group, Hangjiaxin, a joint venture company, obtained a bank loan for investment in property, plant and equipment used in operation. The Directors consider that the possibility of the default in payment regarding to the bank loan of Hangjiaxin is remote taking the predicted cash inflow of Hangjiaxin into consideration and therefore no provision has been made in the current and historical financial information for the contingent liability arising from the guarantee provided by the Group to the bank loan of the joint venture company.

As at 30 June 2020, the Group had no other material contingent liabilities.

## Financial Guarantee Obligations

As at 30 June 2020, the Group provided a guarantee to the bank for a loan of RMB462.9 million (31 December 2019: RMB306.9 million) granted to the joint venture company Hangjiaxin.

## Pledge of Assets

As at 30 June 2020, the Group pledged certain assets to obtain banking facilities granted to the Group. The total carrying amounts of pledged assets of the Group are as follows:

	<b>30 June 2020 (RMB million) (Unaudited)</b>	31 December 2019 (RMB million) (Audited)
Pledge of assets:		
Investment properties	<b>183.4</b>	194.8
Property, plant and equipment	<b>20.9</b>	4.1
Pledged deposits	<b>–</b>	7.1
Prepaid land lease payments	<b>2.6</b>	2.1

## Human Resources and Employee Compensation

As at 30 June 2020, the Group had a total of 370 (30 June 2019: 377) employees in China.

During the period, the total employee costs of the Group were approximately RMB23.1 million. The Group further strengthens the training of employees to enhances their professional level and overall quality, by providing targeted training courses to the management, managers at various positions, professional technicians and service employees, and distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provides employees with competitive remuneration packages to encourage them to work hard and exercise their talents in serving customers.

### EVENTS AFTER THE REPORTING PERIOD

The Shares of the Company were listed on the Main Board of the Stock Exchange on 16 July 2020 (“Listing Date”) and over-allotment option was partially exercised on 7 August 2020. Please refer to the announcements of the Company dated 15 July 2020 and 7 August 2020 for details. Save as disclosed, there are no events causing material impact on the Group from the end of the Reporting Period to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Since the Company was not listed on the Stock Exchange during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange during the Reporting Period.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As the Shares of the Company were not yet listed on the Stock Exchange as of 30 June 2020, the respective Divisions 7 and 8 of Part XV of the SFO, Section 352 of the SFO and the Model Code were not applicable.

As at the date of this report, so far as known to the Directors of the Company, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including those they are taken or deemed to have under such provisions of the SFO) are as follows:

Long Positions in the Domestic Shares of the Company:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (Note 3)
Sun Lianqing (Note 4)	Interest in a controlled corporation	31,720,806 (L)	31.72%	23.01%
Xu Songqiang (Note 4)	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	3,069,891 (L) 28,650,915 (L)	31.72%	23.01%

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

(2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue.

(3) The calculation is based on the total number of 137,844,500 Shares in issue.

(4) Taiding, Xu Songqiang, Liu Zhenxiang, Xu Yanrui and Xu Hua are parties acting in concert pursuant to acting in concert agreements dated 23 March 2016, 16 March 2017, 3 January 2018 and 18 July 2019. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties. Mr. Sun Lianqing is interested in 65% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.

Save as disclosed above, as at the date of this report, none of the Directors, Supervisors or chief executives of the Company had an interest and short position in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As the Shares of the Company were not yet listed on the Stock Exchange as of 30 June 2020, the respective Section 336 of the SFO and Divisions 2 and 3 of Part XV of the SFO were not applicable.

As at the date of this report, so far as is known to the Directors, the interests or short positions of the persons (other than a Director, Supervisor or chief executive of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in Shares of the Company:

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (Note 3)
City Development (Note 4)	Domestic Shares	Beneficial owner	32,757,502 (L)	32.76%	23.76%
Zhejiang Jiaying State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) (Note 4)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Jiaying State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) (Note 4)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Taiding (Note 5)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	26,424,222 (L) 5,296,584 (L)	31.72%	23.01%
Xu Lili (徐麗麗) (Note 6)	Domestic Shares	Interest in a controlled corporation	31,720,806 (L)	31.72%	23.01%
Chen Ying (陳瑛) (Note 7)	Domestic Shares	Interest of spouse	31,720,806 (L)	31.72%	23.01%
Liu Zhenxiong (劉振雄) (Note 5)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	1,654,195 (L) 30,066,611 (L)	31.72%	23.01%
Xu Yanrui (許延瑞) (Note 5)	Domestic Shares	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	386,299 (L) 31,334,507 (L)	31.72%	23.01%

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (Note 3)
Luo Yining (羅漣寧) (Note 8)	Domestic Shares	Interest of spouse	31,720,806 (L)	31.72%	23.01%
Xu Hua (徐華) (Note 5)	Domestic Shares	Beneficial owner	186,199 (L)	31.72%	23.01%
		Deemed interest pursuant to Section 317 of the SFO	31,534,607 (L)		
Zhuji Yujia (Note 9)	Domestic Shares	Beneficial owner	11,894,374 (L)	11.89%	8.63%
Qianyu (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.63%
Tang Shiyao (湯仕堯) (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.63%
Fu Fangying (傅芳英) (Note 10)	Domestic Shares	Interest of spouse	11,894,374 (L)	11.89%	8.63%
Xin'ao Gas Development Company Limited* (新奧燃氣發展有限公司) (Note 11)	Domestic Shares	Beneficial owner	7,155,049 (L)	7.16%	5.19%
Xin'ao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司) (Note 11)	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
ENN Energy Holdings Limited (新奧能源控股有限公司) (Note 11)	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
Fengye Holdings Group Company Limited* (楓葉控股集團有限公司) (Note 12)	Domestic Shares	Beneficial owner	5,364,791 (L)	5.36%	3.89%
Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司) (Note 12)	Domestic Shares	Interest in a controlled corporation	5,364,791 (L)	5.36%	3.89%
Fu Shengying (傅生英) (Note 12)	Domestic Shares	Interest in a controlled corporation	5,364,791 (L)	5.36%	3.89%
Fu Zhiquan (傅志權) (Note 12)	Domestic Shares	Interest in a controlled corporation	5,364,791 (L)	5.36%	3.89%

## CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (Note 3)
Flat Glass Group Co., Ltd. (福萊特(香港)有限公司) (Note 13)	H Shares	Beneficial owner	6,250,000 (L)	16.51%	4.53%
Flat (Hong Kong) Co., Limited (福萊特玻璃集團股份有限公司) (Note 13)	H Shares	Interest in a controlled corporation	6,250,000 (L)	16.51%	4.53%
Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) (Note 14)	H Shares	Beneficial owner	5,219,500 (L)	13.79%	3.79%
嘉興金源投資有限公司 (Jiaying Jinyuan Investment Co., Ltd.) (Note 14)	H Shares	Interest in a controlled corporation	5,219,500 (L)	13.79%	3.79%
Shen Xiaohong (沈小紅) (Note 14)	H Shares	Interest in a controlled corporation	5,219,500 (L)	13.79%	3.79%
Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) (Note 15)	H Shares	Beneficial owner	1,900,000 (L)	5.02%	1.38%
Liu Zhenjiang (劉振江) (Note 15)	H Shares	Interest in a controlled corporation	1,900,000 (L)	5.02%	1.38%
Dan Hongying (但紅英) (Note 16)	H Shares	Interest of spouse	1,900,000 (L)	5.02%	1.38%
Mingyuan Group Investment Limited (Note 17)	H Shares	Beneficial owner	5,300,000 (L)	14.00%	3.84%
Shum Tin Ching (沈天晴) (Note 17)	H Shares	Interest in a controlled corporation	5,300,000 (L)	14.00%	3.84%
Wang Xinmei (Note 18)	H Shares	Interest of spouse	5,300,000 (L)	14.00%	3.84%



Notes:

- (1) The letter “L” denotes the shareholder’s long position in the Shares and underlying shares of the Company.
- (2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue or 37,844,500 H Shares in issue.
- (3) The calculation is based on the total number of 137,844,500 Shares in issue.
- (4) City Development was wholly-owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited\* (浙江嘉興國有資本投資運營有限公司), which was wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會). Under the SFO, Zhejiang Jiaxing State-owned Capital Investment Management Company Limited and Jiaxing State-owned Assets Supervision and Administration Commission are deemed to be interested in the same number of Shares in which City Development is interested.
- (5) Taiding, Xu Songqiang, Liu Zhenxiong, Xu Yanrui and Xu Hua are parties acting in concert pursuant to acting in concert agreements dated 23 March 2016, 16 March 2017, 3 January 2018 and 18 July 2019. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties.
- (6) Ms. Xu Lili is interested in 35% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.
- (7) Ms. Chen Ying is the spouse of Mr. Xu Songqiang. Under the SFO, Ms. Chen Ying is deemed to be interested in the same number of Shares in which Mr. Xu Songqiang is interested.
- (8) Mr. Luo Yining is the spouse of Ms. Xu Yanrui. Under the SFO, Mr. Luo Yining is deemed to be interested in the same number of Shares in which Ms. Xu Yanrui is interested.
- (9) Zhuji Yujia is wholly-owned by Qianyu, which is 40%-owned by Mr. Tang Shiyao (湯仕堯). Under the SFO, each of Mr. Tang Shiyao and Qianyu is deemed to be interested in the same number of Shares in which Zhuji Yujia is interested.
- (10) Ms. Fu Fangying (傅芳英) is the spouse of Mr. Tang Shiyao (湯仕堯) and is therefore deemed to be interested in the same number of Shares in which Mr. Tang Shiyao is interested under the SFO.
- (11) Xin’ao Gas Development Company Limited\* (新奧燃氣發展有限公司) was a wholly-owned subsidiary of Xin’ao (China) Gas Investment Company Limited\* (新奧(中國)燃氣投資有限公司), which was in turn a wholly-owned subsidiary of ENN Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688). Under the SFO, ENN Energy Holdings Limited and Xin’ao (China) Gas Investment Company Limited\* are deemed to be interested in the same number of Shares in which Xin’ao Gas Development Company Limited is interested.
- (12) Fengye Holdings Group Company Limited\* (楓葉控股集團有限公司) was wholly-owned by Zhejiang Fengye Environmental Technology Limited\* (浙江楓葉環保科技有限公司), which was owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權). Under the SFO, each of Zhejiang Fengye Environmental Technology Limited\*, Ms. Fu Shengying and Mr. Fu Zhiquan is deemed to be interested in the same number of Shares in which Fengye Holdings Group Company Limited is interested.
- (13) Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) was a wholly-owned subsidiary of Flat Glass Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6865) and the Shanghai Stock Exchange (stock code: 601865). Under the SFO, Flat Glass Group Co., Ltd. is deemed to be interested in the same number of Shares in which Flat (Hong Kong) Co., Limited is interested.
- (14) Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) was a wholly-owned subsidiary of 嘉興金源投資有限公司 (Jiaying Jinyuan Investment Co., Ltd.\*), which was in turn owned as to 75% by Mr. Shen Xiaohong (沈小紅). Under the SFO, Mr. Shen Xiaohong is deemed to be interested in the same number of Shares in which Hong Sung Timber Trading Co., Limited is interested.
- (15) Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) was wholly-owned by Mr. Liu Zhenjiang (劉振江). Under the SFO, Mr. Liu Zhenjiang is deemed to be interested in the same number of Shares in which Fashion Home International Trading Co., Limited is interested.

- (16) Ms. Dan Hongying (但紅英) is the spouse of Mr. Liu Zhenjiang (劉振江). Under the SFO, Ms. Dan Hongying is deemed to be interested in the same number of Shares in which Mr. Liu Zhenjiang is interested.
- (17) Mingyuan Group Investment Limited was wholly-owned by Mr. Shum Tin Ching (沈天晴). Under the SFO, Mr. Shum Tin Ching is deemed to be interested in the same number of Shares in which Mingyuan Group Investment Limited is interested.
- (18) Ms. Wang Xinmei (王新妹) is the spouse of Mr. Shum Tin Ching (沈天晴). Under the SFO, Ms. Wang Xinmei is deemed to be interested in the same number of Shares in which Mr. Shum Tin Ching is interested.

Save as disclosed above, as at the date of this report, the Directors are not aware of any other person (other than a Director, Supervisor or chief executive of the Company) who had an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

### CORPORATE GOVERNANCE HIGHLIGHTS

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of its shareholders and to enhance corporate value, accountability and transparency of the Company.

As the Shares of the Company were not yet listed on the Stock Exchange as of 30 June 2020, the principles and code provisions of the CG Code as set out in Appendix 14 of the Listing Rules were not applicable to the Company during the Reporting Period.

The Company has adopted the principles and code provisions of the CG Code set out in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

Save as the code provision A.2.1 of the CG Code, the Company has complied with all the code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this report.

Pursuant to code provision A.2.1. of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. However, the role of the chairman and the chief executive officer of the Company is not separated and are performed by the same individual, Mr. SUN Lianqing.

Mr. Sun Lianqing, who has been responsible for overall strategic planning and management of the Group since 1998. The Board meet regularly to consider major matters affecting the operations of the Group, as such, the Board consider that this structure will not impair the balance of power and authority between the Board and the management of the Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

### UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

Mr. Cheng Hok Kai Frederick, an independent non-executive Director of the Company, has been appointed as an independent non-executive director and the chairman of audit committee of China Shun Ke Long Holdings Limited (a company incorporated in the Cayman Islands with limited liability, stock code: 974.HK) on 27 July 2020.

Saved as disclosed above, there is no change in the information of each director/supervisor that is required to be disclosed under Rule 13.51B(1) of the Listing Rules since 20 June 2020, being the latest practicable date of the Prospectus and up to the date of this interim report.

### AUDIT COMMITTEE AND REVIEW OF INTERIM STATEMENTS

The Audit Committee comprising of three independent non-executive Directors was established with terms of reference in compliance with the CG Code.

The Audit Committee has reviewed together with the management and external auditors, Messrs. Ernst & Young, the accounting principles and policies adopted by the Group and the unaudited interim results for the Reporting Period and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made and has no disagreement with the accounting treatment adopted.

### MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct throughout the period from the Listing Date up to the date of this report.

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

### INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

**USE OF NET PROCEEDS FROM LISTING**

With the listing of the Company's shares on the Stock Exchange on 16 July 2020, the total net proceeds from the Global Offering (including the net proceeds from exercising the over-allotment option in part), after deducting the listing expenses, amounted to approximately HK\$334.0 million as of 12 August 2020.

As at the date of this report, the proceeds have not been utilised. The net proceeds will be used according to the designated uses as set out in the Prospectus, the details are as follows:

<b>Designated uses of net proceeds</b>	<b>Percentage of net proceeds allocated</b>	<b>Amount allocated (HK\$ million)</b>	<b>Expected to be used before</b>
Funding our payment of registered capital of Hangjiaxin or to be provided to Hangjiaxin by way of shareholder's loan by batches	80%	267.2	Second quarter of 2021
Upgrading our pipeline network (both urban pipeline network and end-user pipeline network) and operational facilities	10%	33.4	By the end of 2022
Working capital and general corporate purposes	10%	33.4	By the end of 2022

# INDEPENDENT REVIEW REPORT



Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

安永會計師事務所  
香港中環添美道1號  
中信大廈22樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## To the board of directors of JiaXing Gas Group Co., Ltd.

(Established in the People's Republic of China with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 46, which comprises the condensed consolidated statement of financial position of JiaXing Gas Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
28 August 2020

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>558,143</b>	647,175
Cost of sales		<b>(469,146)</b>	(545,823)
Gross profit		<b>88,997</b>	101,352
Other income and gains		<b>1,272</b>	583
Selling and distribution costs		<b>(10,109)</b>	(9,626)
Administrative expenses		<b>(19,945)</b>	(21,197)
Impairment losses on financial and contract assets, net		<b>(52)</b>	74
Other expenses		<b>(2,175)</b>	(1,341)
Finance costs		<b>(6,780)</b>	(8,885)
Share of profits and losses of:			
Joint ventures		<b>(1,221)</b>	(83)
Associates		<b>3,248</b>	5,162
<b>PROFIT BEFORE TAX</b>	5	<b>53,235</b>	66,039
Income tax expense	6	<b>(11,932)</b>	(16,276)
<b>PROFIT FOR THE PERIOD</b>		<b>41,303</b>	49,763
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>-</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>41,303</b>	49,763
<b>Attributable to:</b>			
Owners of the parent		<b>40,256</b>	48,750
Non-controlling interests		<b>1,047</b>	1,013
		<b>41,303</b>	49,763
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted			
– For profit for the period (RMB)	8	<b>0.40</b>	0.49

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>474,334</b>	482,910
Investment properties		<b>220,593</b>	218,061
Other intangible assets		<b>2,251</b>	2,415
Financial assets at fair value through profit or loss		<b>13,309</b>	14,763
Investments in joint ventures		<b>168,358</b>	161,929
Investments in associates		<b>14,423</b>	11,175
Deferred tax assets		<b>148,835</b>	150,710
Right-of-use assets		<b>126,736</b>	130,434
Other non-current assets		<b>16,218</b>	14,450
Total non-current assets		<b>1,185,057</b>	1,186,847
<b>CURRENT ASSETS</b>			
Inventories		<b>6,194</b>	8,314
Trade and bills receivables	10	<b>43,794</b>	49,125
Contract assets		<b>7,735</b>	1,224
Prepayments, other receivables and other assets		<b>42,069</b>	36,545
Financial assets at fair value through profit or loss		<b>2,303</b>	2,476
Pledged deposits		<b>2,483</b>	7,092
Cash and cash equivalents		<b>125,262</b>	63,146
Total current assets		<b>229,840</b>	167,922

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	98,695	100,385
Other payables and accruals		76,734	64,154
Contract liabilities		81,004	85,347
Interest-bearing bank borrowings	12	34,000	173,400
Tax payable		9,280	10,558
Lease liabilities		9,772	9,831
Total current liabilities		309,485	443,675
<b>NET CURRENT LIABILITIES</b>		<b>(79,645)</b>	<b>(275,753)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,105,412</b>	<b>911,094</b>
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities		371,045	379,984
Interest-bearing bank borrowings	12	178,300	20,000
Lease liabilities		157,935	154,281
Total non-current liabilities		707,280	554,265
Net assets		398,132	356,829
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	13	100,000	100,000
Reserves		281,274	241,018
		381,274	341,018
Non-controlling interests		16,858	15,811
<b>TOTAL EQUITY</b>		<b>398,132</b>	<b>356,829</b>



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent							
	Share capital	Capital reserve	Statutory surplus reserve	Special reserve – safety fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	100,000	6,949	53,751	10,925	169,393	341,018	15,811	356,829
Total comprehensive income for the period	-	-	-	-	40,256	40,256	1,047	41,303
Special reserve – safety fund	-	-	-	1,323	(1,323)	-	-	-
At 30 June 2020 (unaudited)	100,000	6,949*	53,751*	12,248*	208,326*	381,274	16,858	398,132

\* These reserve accounts comprise the consolidated reserves of RMB281,274,000 in the interim condensed consolidated statement of financial position.

	Attributable to owners of the parent							
	Share capital	Capital reserve	Statutory surplus reserve	Special reserve – safety fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	100,000	6,949	45,715	8,402	163,054	324,120	13,902	338,022
Total comprehensive income for the period	-	-	-	-	48,750	48,750	1,013	49,763
Special reserve – safety fund	-	-	-	2,054	(2,054)	-	-	-
Final 2018 dividend declared	-	-	-	-	(70,000)	(70,000)	-	(70,000)
At 30 June 2019 (unaudited)	100,000	6,949	45,715	10,456	139,750	302,870	14,915	317,785

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Note	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		53,235	66,039
Adjustments for:			
Share of profits of associates		(3,248)	(5,162)
Share of losses of joint ventures		1,221	83
Finance costs		6,780	8,885
Depreciation of property, plant and equipment		24,775	21,505
Depreciation of right-of-use assets		4,409	3,900
Depreciation of investment properties		3,538	3,338
Amortisation of other intangible assets		538	409
Impairment of financial and contract assets	5	53	(74)
Fair value loss, on:			
Financial assets at fair value through profit or loss	5	1,629	438
Loss on disposal of items of property, plant and equipment	5	19	1,115
Interest income		(4)	(379)
		<b>92,945</b>	100,097
Decrease/(increase) in trade and bills receivables		5,333	(1,194)
(Increase)/decrease in contract assets		(6,511)	154
Decrease in pledged time deposits		4,609	–
Decrease/(increase) in prepayments, other receivables and other assets		(5,567)	(7,139)
Decrease/(increase) in inventories		2,120	(500)
Decrease in trade and bills payables		(1,690)	(21,619)
Decrease in other payables and accruals		(6,065)	(2,467)
Decrease in contract liabilities		(13,282)	(3,070)
Cash generated from operations		<b>71,892</b>	64,262
Interest received		–	260
Tax paid		(13,115)	(13,597)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>58,777</b>	50,925

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	4	119
Decrease in pledged time deposits	–	37
Purchase of items of property, plant and equipment	(9,293)	(1,323)
Additions to other intangible assets	(374)	(743)
Investment in a joint venture	(2,000)	–
Dividends received from an associate	–	19,284
Dividends received from a joint venture	–	2,500
Purchase of financial assets at fair value through profit or loss	(2)	(14,135)
Proceeds from disposal of financial assets at fair value through profit or loss	–	14,054
<b>NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(11,665)</b>	<b>19,793</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	–	(70,000)
Interest paid	(2,296)	(4,965)
New interest-bearing bank borrowings	266,300	238,000
Repayment of interest-bearing bank borrowings	(247,400)	(212,000)
Payment of lease liabilities	(1,600)	(1,620)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>15,004</b>	<b>(50,585)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>62,116</b>	<b>20,133</b>
Cash and cash equivalents at beginning of period	63,146	86,242
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>125,262</b>	<b>106,375</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances as stated in the statement of financial position	127,745	111,595
Pledged deposits	(2,483)	(5,220)
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>125,262</b>	<b>106,375</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

## 1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China. The registered office of the Company is located at 5th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing Zhejiang Province, China.

On 18 July 2019, the concert parties, namely Zhejiang Taiding Investment Company Limited ("Taiding"), Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) entered into concert party agreements with respect to their interests in the Company. Pursuant to the concert party agreements, Mr. Xu Songqiang, Mr. Liu Zhenxiong, Ms. Xu Yanrui and Ms. Xu Hua agreed to delegate their voting rights at general meetings of the Company to Taiding for each of the years of 2019 and 2020, respectively. As at the date of this report, the concert parties held an approximately 23.01% equity interest of the Company, while Jiaxing City Investment & Development Group Co., Ltd. held an approximately 23.76% equity interest of the Company. Accordingly, there were no controlling shareholders for the Company.

During the six months ended 30 June 2020, the Group was principally engaged in (i) the sale of gas, mainly piped natural gas ("PNG") (under the concessions), liquefied natural gas ("LNG") and liquefied petroleum gas ("LPG") in Jiaxing; (ii) the provision of construction installation services; and (iii) others, including the provision of natural gas transportation services, the sale of vapour and construction materials, and the leasing of properties in Mainland China.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 July 2020.

## 2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's Historical Financial Information included in Accountants' Report set forth in Appendix I to the Company's prospectus dated 30 June 2020 (the "Prospectus").

#### *Going concern*

The Group recorded net current liabilities of RMB79,645,000 as at 30 June 2020. In view of the net current liabilities position, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Subsequent to 30 June 2020, the Company received proceeds amounting to HKD378,445,000 before deducting issuing expenses from the initial public offering of the Company's ordinary shares. Having considered the cash flows from operations and its available sources of financing, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the interim condensed financial information of the Group for the six months ended 30 June 2020 on a going concern basis.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's Historical Financial Information included in Accountants' Report set forth in Appendix I to the Prospectus dated 30 June 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any COVID-19-related rent concessions.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised IFRSs are described below: (continued)

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## 3. OPERATING SEGMENT INFORMATION

The Group has only one reportable operating segment which engages in (i) the sale of gas, mainly PNG (under the concessions), LNG and LPG in Jiaxing; (ii) the provision of construction installation services; and (iii) others, including the provision of natural gas transportation services, the sale of vapour and construction materials, and the leasing of properties in the period. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

### Geographical information

#### Revenue from external customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	558,143	647,175

The revenue geographical information above is based on the locations of customers.

### Seasonality of operations

The principal business activities of the Group included the distribution and sale of PNG, LNG, LPG and vapour, the provision of construction services, installation and management services as the main contractor of construction, and gas transportation services. Higher revenues and operating profits are usually expected in the 1st quarter and 4th quarter of the year. Higher sales during the period from October to March are mainly attributed to the increased sales volume and selling price of natural gas due to the expected increase in demand during the peak season.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 4. REVENUE

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	<b>553,532</b>	643,408
Sales of goods	<b>486,406</b>	582,967
Provision of construction services	<b>41,058</b>	29,003
Provision of installation and management services	<b>24,270</b>	28,481
Provision of transportation services	<b>1,768</b>	2,947
Others	<b>30</b>	10
<i>Revenue from other sources</i>		
Gross rental income	<b>6,907</b>	6,685
	<b>560,439</b>	650,093
Less: Government surcharges	<b>(2,296)</b>	(2,918)
	<b>558,143</b>	647,175
<u>Revenue from contracts with customers</u>		
<b>Types of goods or services</b>		
Sales of PNG	<b>427,218</b>	516,396
Sales of LNG	<b>16,919</b>	6,527
Sales of LPG	<b>25,432</b>	42,381
Sales of vapour	<b>10,278</b>	10,151
Sales of construction materials	<b>6,559</b>	7,512
Provision of construction services	<b>41,058</b>	29,003
Provision of installation and management services	<b>24,270</b>	28,481
Provision of gas transportation services	<b>1,768</b>	2,947
Others	<b>30</b>	10
Total revenue from contracts with customers	<b>553,532</b>	643,408
<b>Timing of revenue recognition</b>		
Goods or services transferred at a point in time	<b>488,204</b>	585,924
Services transferred over time	<b>65,328</b>	57,484
Total revenue from contracts with customers	<b>553,532</b>	643,408

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	<b>434,623</b>	518,772
Cost of services provided	<b>34,523</b>	27,051
Loss on disposal of items of property, plant and equipment	<b>19</b>	1,115
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	<b>(2)</b>	(84)
Impairment of financial assets included in prepayments, other receivables and other assets	<b>55</b>	10
Fair value loss, net:		
Financial assets at fair value through profit or loss	<b>1,629</b>	438

## 6. INCOME TAX

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

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Income tax in the PRC for the period	<b>10,057</b>	14,841
Deferred tax	<b>1,875</b>	1,435
Total tax charge for the period	<b>11,932</b>	16,276



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 7. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB0.70 per ordinary share, amounting to RMB70,000,000).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 100,000,000 (six months ended 30 June 2019: 100,000,000) in issue during the period.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)

### Earnings

Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	<b>40,256</b>	48,750
---	---------------	--------

	Number of shares For the six months ended 30 June	
	2020	2019

### Shares

Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>100,000,000</b>	100,000,000
--	--------------------	-------------

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 RMB'000
Carrying value at beginning of the period (audited)	482,910
Additions	22,288
Depreciation charge for the period	(24,775)
Disposals	(19)
Transferred to investment properties	(6,070)
	<hr/>
Carrying value at end of the period (unaudited)	474,334

Property, plant and equipment of a net book value of RMB20,884,000 as at 30 June 2020 (31 December 2019: RMB4,120,000) are pledged as security for interest-bearing bank loans granted to the Group (note 12).

## 10. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	44,768	50,665
Bills receivable	1,451	887
	<hr/>	<hr/>
	46,219	51,552
Impairment	(2,425)	(2,427)
	<hr/>	<hr/>
	43,794	49,125

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	43,794	49,125

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 11. TRADE AND BILLS PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	91,536	91,236
Bills payable	7,159	9,149
	<b>98,695</b>	100,385

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	97,814	99,441
1 to 2 years	222	282
Over 2 years	659	662
	<b>98,695</b>	100,385

## 12. INTEREST-BEARING BANK BORROWINGS

	30 June 2020			31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
<b>Current</b>						
Bank loans – secured	3.67–4.99	2021	34,000	4.35–4.79	2020	173,400
<b>Non-current</b>						
Bank loans – secured	4.70–4.99	2022–2029	178,300	4.99	2022	20,000
			<b>212,300</b>			193,400

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 12. INTEREST-BEARING BANK BORROWINGS (continued)

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Repayable within one year	<b>34,000</b>	173,400
Repayable in the second to fifth years	<b>67,350</b>	20,000
Repayable over five years	<b>110,950</b>	–
	<b>212,300</b>	193,400

- (1) The Group's interest-bearing bank borrows are secured by the pledges of the following assets with carrying values as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Pledge of assets:		
Investment properties	<b>183,395</b>	194,781
Property, plant and equipment	<b>20,884</b>	4,120
Pledged deposits	–	7,092
Right-of-use assets	<b>2,630</b>	2,143
	<b>206,909</b>	208,136

- (2) The interest-bearing bank loans amounting to RMB60,000,000 as at 30 June 2020 (RMB40,000,000 as at 31 December 2019) were secured by the guarantee of Jiaxing Jia'ran Liquefied Gas Co., Ltd. and Jiaxing Jia'an Gas Technology Service Co., Ltd., which are subsidiaries of the Company.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 13. SHARE CAPITAL

	Number of shares '000	Nominal value RMB'000
Ordinary shares as at 31 December 2019 (audited) and 30 June 2020 (unaudited)	<b>100,000</b>	100,000

## 14. CONTINGENT LIABILITIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guarantee bank loan of Zhejiang Hangjiaxin Clean Energy Co., Ltd. ("Hangjiaxin")	<b>462,910</b>	306,910

In December 2018, the Group's joint venture, Hangjiaxin, obtained a bank loan for investment in property, plant and equipment used in operation, which was guaranteed by the Group. The directors of the Company consider that the possibility of default in payment regarding the bank loan of Hangjiaxin is remote after taking the predicted cash inflow of Hangjiaxin into consideration and therefore no provision has been made in the interim condensed consolidated financial information for the contingent liability arising from the guarantee provided by the Group to the bank loan of Hangjiaxin.

## 15. COMMITMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<i>Contracted, but not provided for:</i> – Property, plant and equipment	<b>3,926</b>	1,867

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 16. RELATED PARTY TRANSACTIONS

### (a) Name and relationship

Name of related party	Relationship with the Group
Jiaxing Gas and Refuelling Station Co., Ltd. ("Gas and Refuelling Station") (嘉興市加油加氣站有限公司)	Joint venture
Hangjiaxin (浙江杭嘉鑫清潔能源有限公司)	Joint venture
Jiaxing LPG Co., Ltd. ("Jiaxing LPG") (嘉興市管道液化氣有限責任公司)	Associate
Jiaxing Jiatong New Energy Co., Ltd. ("Jiatong New Energy") (嘉興市嘉通新能源股份有限公司)	Associate
Jiaxing Natural Gas Pipeline Network Management Co., Ltd. ("Jiaxing Pipeline Company") (嘉興市天然氣管網經營有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingyuan Hotel Management Co., Ltd. ("Qingyuan Hotel") (嘉興市清園酒店管理有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingyuan Ecological Farm Co., Ltd ("Ecological Farm") (嘉興市清園生態農莊有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingchi Hot Spring Tourism Development Co., Ltd. ("Qingchi Hot Spring") (嘉興市清池溫泉旅遊開發有限公司)	Company controlled by shareholders of the Company
Jiaxing Songjia Trading Co., Ltd. ("Songjia Trading") (嘉興市宋嘉貿易有限公司)	Company controlled by shareholders of the Company
Jiaxing Nanhu Hetai Finance Co., Ltd. ("Nanhu Hetai") (嘉興市南湖禾泰小額貸款有限公司)	Company significantly influenced by shareholders of the Company

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 16. RELATED PARTY TRANSACTIONS (continued)

### (a) Name and relationship (continued)

Name of related party	Relationship with the Group
Zhuji Jinfeng Pipeline Co., Ltd. ("Zhuji Jinfeng") (諸暨錦楓管業有限公司)	Company controlled by a director of the Company
Jiaxing Salon International Hotel Co., Ltd. ("Salon International Hotel") (嘉興市沙龍國際賓館有限公司)	Company controlled by shareholders of the Company
Jiaxing Yuehe Inn Co., Ltd. ("Yuehe Inn") (嘉興市月河客棧有限公司)	Company controlled by shareholders of the Company

(b) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Associates:</b>			
<i>Purchase of LNG from</i>			
Jiatong New Energy	(iii)	7	30
<b>Joint Venture:</b>			
<i>Guarantee of bank loans</i>			
Hangjiaxin	(ii)	156,000	109,680
<i>Transportation income from</i>			
Gas and Refuelling Station	(iv)	965	1,642
<i>Rental income</i>			
Hangjiaxin	(v)	172	–
Gas and Refuelling Station	(v)	132	55
		<b>304</b>	<b>55</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 16. RELATED PARTY TRANSACTIONS (continued)

- (b) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period: (continued)

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Others:</b>			
<i>Sales of natural gas to</i>			
Qingyuan Hotel	(i)	1,679	1,664
Salon International Hotel	(i)	576	873
Yuehe Inn	(i)	504	–
		<b>2,759</b>	2,537
<i>Purchase of natural gas from</i>			
Jiaxing Pipeline Company	(iii)	296,861	427,578
<i>Purchase of construction materials from</i>			
Zhuji Jinfeng	(iii)	2,250	2,576
<i>Purchase of other products from</i>			
Songjia Trading	(iii)	59	64
Ecological Farm	(iii)	–	5
		<b>59</b>	69
<i>Rental income from</i>			
Qingyuan Hotel	(v)	2,322	2,654
Jiaxing Pipeline Company	(v)	70	70
Nanhu Hetai	(v)	61	55
		<b>2,453</b>	2,779
<i>Administrative and selling expenses</i>			
Qingyuan Hotel		647	1,093
Qingchi Hot Spring		–	459
		<b>647</b>	1,552



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 16. RELATED PARTY TRANSACTIONS (continued)

- (b) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period: (continued)

Notes:

- (i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The Company provided a guarantee for the bank loans of Hangjiixin amounting to RMB156,000,000 (six months ended 30 June 2019: RMB109,680,000). Details of the guarantee were set out in note 14 to the interim condensed consolidated financial information.
- (iii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (iv) The transportation income arose from providing transportation service to the Group's joint venture. The transaction price was substantially in line with those offered to the major customers of the Group.
- (v) The rental income represents considerations received for the rental of investment properties to the Group's related parties. It is considered that the annual rental payments under the relevant rent agreements were made according to the market price and had been agreed by both parties.

- (c) Outstanding balances with related parties:

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
	Notes		
<i>Amounts due from related parties before provision</i>			
Jiaying LPG	(i)	5,857	5,802
Jiaying Pipeline Company	(ii)	2,931	2,864
Qingyuan Hotel	(ii)	2,372	2,886
Qingchi Hot Spring	(ii)	813	813
Salon International Hotel	(ii)	169	236
Yuehe Inn	(ii)	32	111
Ecological Farm	(ii)	4	-
Gas and Refuelling Station	(iii)	-	1,000
Hangjiixin	(ii)	-	700
		<b>12,178</b>	14,412

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 16. RELATED PARTY TRANSACTIONS (continued)

### (c) Outstanding balances with related parties: (continued)

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<i>Amounts due to related parties</i>			
Jiaxing Pipeline Company	(iv)	166,821	170,505
Zhuji Jinfeng	(v)	1,436	913
Gas and Refuelling Station	(v)	289	–
Qingyuan Hotel	(v)	95	–
Jiatong New Energy	(v)	14	–
		<b>168,655</b>	171,418

Notes:

- (i) The amount due from Jiaxing LPG was non-trade in nature, unsecured and interest-free. The balance as at 30 June 2020 has been fully provided for impairment because Jiaxing LPG is under the situation of discontinuing its business and the directors of the Company do not expect the amount to be collectible.
- (ii) The amounts due from related parties of RMB6,321,000 as at 30 June 2020 (RMB7,610,000 as at 31 December 2019) were trade in nature, unsecured, interest-free and repayable within 180 days.
- (iii) The amount due from Gas and Refuelling Station of RMB1,000,000 as at 31 December 2019 was non-trade in nature, unsecured, interest-free and was settled in March 2020.
- (iv) The amounts due to Jiaxing Pipeline Company of RMB166,821,000 as at 30 June 2020 (RMB170,505,000 as at 31 December 2019) were trade in nature, unsecured, interest-free and repayable according to the contract term.
- (v) The amounts due to related parties of RMB1,834,000 as at 30 June 2020 (RMB913,000 as at 31 December 2019) were trade in nature, unsecured, interest-free and repayable within 180 days.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 16. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term employee benefits	1,787	2,161
Post-employment benefits	214	258
<b>Total compensation paid to key management personnel</b>	<b>2,001</b>	<b>2,419</b>

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)

### Financial assets

Financial assets at fair value  
through profit or loss (current and  
non-current portion)

	<b>15,612</b>	17,239	<b>15,612</b>	17,239
--	---------------	--------	---------------	--------

### Financial liabilities

Interest-bearing bank and other  
borrowings (non-current portion)

	<b>178,300</b>	20,000	<b>172,841</b>	19,873
--	----------------	--------	----------------	--------

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2020 were assessed to be insignificant.

The fair value of listed equity investment are based on quoted market prices. The fair value of unlisted equity investment at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors of the Company to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, for example price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a net assets measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding book value measure of the unlisted equity investment to measure the fair value. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at 30 June 2020.

The Group invests in unlisted investments, which mainly represent wealth management products at fair value. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019 and 30 June 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
<b>As at 30 June 2020</b>				
Unlisted equity investment	Valuation multiples	Average P/B multiple of peers	0.5 to 1.9	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,331,000
		Discount for lack of marketability	20% to 30%	10% increase/decrease in discount would result in decrease/increase in fair value by RMB1,331,000
<b>As at 31 December 2019</b>				
Unlisted equity investment	Valuation multiples	Average P/B multiple of peers	0.7 to 2.4	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,476,000
		Discount for lack of marketability	20% to 30%	10% increase/decrease in discount would result in decrease/increase in fair value by RMB1,476,000

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

##### As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	1,566	737	13,309	15,612

##### As at 31 December 2019

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial assets at fair value through profit or loss	1,741	735	14,763	17,239

#### Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value at the end of the period (2019: Nil).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

30 June 2020

## 18. EVENTS AFTER THE REPORTING PERIOD

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 16 July 2020. In connection with the Company's listing, 33,340,000 new shares of the Company were issued and allotted at the offering price of HKD10.00 per share. On 7 August 2020, the Company exercised the over-allotment option and issued additional 4,504,500 new shares at the offering price of HKD10.00 per share.

## 19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 28 August 2020.