JiaXing Gas Group Co., Ltd.*

嘉興市燃氣集團股份有限公司

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

(Stock Code: 9908)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

Financial Highlights

- Revenue for the Period was RMB558.1 million, representing a decrease of 13.77% over the corresponding period of last year.
- Gross profit for the Period was RMB89.0 million, representing a decrease of 12.23% over the corresponding period of last year.
- Profit attributable to the owners of the Company for the Period was RMB40.3 million, representing a decrease of 17.42% over the corresponding period of last year.
- Basic earnings per share for the Period amounted to RMB0.40 (the corresponding period of last year: RMB0.49).
- The Board resolved not to declare an interim dividend for the Period.

The board (the "**Board**") of directors (the "**Directors**") of JiaXing Gas Group Co., Ltd. (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**" or the "**Period**"), together with comparative figures for the corresponding period in 2019 as follows:

* *for identification purpose only*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2020

	Notes	**30 June 2020 (Unaudited) *RMB'000***	31 December 2019 (Audited) *RMB'000*
CURRENT LIABILITIES			
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
NET CURRENT LIABILITIES		**(79,645)**	(275,753)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,105,412**	911,094
NON-CURRENT LIABILITIES			
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
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**100,000**	100,000
Reserves		**281,274**	241,018
		381,274	341,018
Non-controlling interests		**16,858**	15,811
TOTAL EQUITY		**398,132**	356,829

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 announcement, 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 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.

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

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.

(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.

4. REVENUE

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**553,532**	643,408
Sales of goods	**486,406**	582,967
Provision of construction services	**41,058**	29,003
Provision of installation and management services	**24,270**	28,481
Provision of transportation services	**1,768**	2,947
Others	**30**	10
Revenue from other sources		
Gross rental income	**6,907**	6,685
	560,439	650,093
Less: Government surcharges	**(2,296)**	(2,918)
	558,143	647,175

Revenue from contracts with customers		
Types of goods or services		
Sales of PNG	**427,218**	516,396
Sales of LNG	**16,919**	6,527
Sales of LPG	**25,432**	42,381
Sales of vapour	**10,278**	10,151
Sales of construction materials	**6,559**	7,512
Provision of construction services	**41,058**	29,003
Provision of installation and management services	**24,270**	28,481
Provision of gas transportation services	**1,768**	2,947
Others	**30**	10
Total revenue from contracts with customers	**553,532**	643,408
Timing of revenue recognition		
Goods or services transferred at a point in time	**488,204**	585,924
Services transferred over time	**65,328**	57,484
Total revenue from contracts with customers	**553,532**	643,408

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	**434,623**	518,772
Cost of services provided	**34,523**	27,051
Loss on disposal of items of property, plant and equipment	**19**	1,115
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	**(2)**	(84)
Impairment of financial assets included in prepayments, other receivables and other assets	**55**	10
Fair value loss, net:		
Financial assets at fair value through profit or loss	**1,629**	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	**10,057**	14,841
Deferred tax	**1,875**	1,435
Total tax charge for the Period	**11,932**	16,276

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	**40,256**	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	**100,000,000**	100,000,000

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)**
Carrying value at end of the Period (unaudited)	**474,334**

Property, plant and equipment of a net book value of RMB20,884,000 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	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**44,768**	50,665
Bills receivable	**1,451**	887
	46,219	51,552
Impairment	**(2,425)**	(2,427)
	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	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**43,794**	49,125

11. TRADE AND BILLS PAYABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**91,536**	91,236
Bills payable	**7,159**	9,149
	98,695	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	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**97,814**	99,441
1 to 2 years	**222**	282
Over 2 years	**659**	662
	98,695	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)
Current						
Bank loans-secured	**3.67-4.99**	**2021**	**34,000**	4.35-4.79	2020	173,400
Non-current						
Bank loans-secured	**4.70-4.99**	**2022-2029**	**178,300**	4.99	2022	20,000
			212,300			193,400
Analysed into:						
Repayable within one year			**34,000**			173,400
Repayable in the second to fifth years			**67,350**			20,000
Repayable over five years			**110,950**			–
			212,300			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	**183,395**	194,781
Property, plant and equipment	**20,884**	4,120
Pledged deposits	**–**	7,092
Right-of-use assets	**2,630**	2,143
	206,909	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.

13. SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Looking back to the first half of 2020, the outbreak of novel coronavirus pneumonia 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 promotes 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 Jiaxing City, Zhejiang Province, China, operated a natural gas pipeline network in Operating Area in Jiaxing, 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 Zhejiang Hangjiaxin Clean Energy Company Limited (浙江杭嘉鑫清潔能源有限公司) ("**Hangjiaxin**") for LNG emergency peak shaving under construction in Pinghu, Jiaxing, 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 Jiaxing 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^3, representing a decrease of 10.09% compared with 170.5 million m^3 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^3, accounting for 19.37%, and the industrial and commercial consumption of gas was 123.6 million m^3, accounting for 80.63%. For the same period of last year, the residential consumption of gas was 27.7 million m^3, accounting for 16.25%, and the industrial and commercial consumption of gas was 142.8 million m^3, 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.

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 Jiaxing City for the period from 20 June 2020, being the latest practicable date of the prospectus of the Company dated 30 June 2020, 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^3 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 novel coronavirus pneumonia.

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:

	30 June 2020 *(RMB million)* **(Unaudited)**	31 December 2019 *(RMB million)* (Audited)
Pledge of assets:		
Investment properties	**183.4**	194.8
Property, plant and equipment	**20.9**	4.1
Pledged deposits	**–**	7.1
Prepaid land lease payments	**2.6**	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 ("**Shares**") of the Company was 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 announcement.

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

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 Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as amended from time to time) 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 announcement.

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, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") 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 announcement.

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 announcement.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL 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.

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND 2020 INTERIM REPORT

This announcement is published on the websites of the Company (http://www.jxrqgs.com/Default.aspx) and the Stock Exchange (http://www.hkexnews.hk). The 2020 interim report will be dispatched to the Shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in accordance with the requirements of the Listing Rules.

By Order of the Board
JiaXing Gas Group Co., Ltd.*
SUN Lianqing
Chairman and Executive Director

Jiaxing, the PRC
28 August 2020

As at the date of this announcement, our executive Directors are Mr. Sun Lianqing and Mr. Xu Songqiang, our non-executive Directors are Mr. He Yujian, Mr. Zheng Huanli and Mr. Fu Songquan and our independent non-executive Directors are Mr. Xu Linde, Mr. Yu Youda and Mr. Cheng Hok Kai Fredrick.

* *for identification purpose only*