

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



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 RESULT ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

Financial Highlights

- Revenue for the Period was RMB897.9 million, representing an increase of 60.89% over the corresponding period of last year.
- Gross profit for the Period was RMB125.6 million, representing an increase of 41.12% over the corresponding period of last year.
- Profit attributable to the owners of the Company for the Period was RMB60.3 million, representing an increase of 49.63% over the corresponding period of last year.
- Basic earnings per share for the Period amounted to RMB0.44 (the corresponding period of last year: RMB0.40).
- The Board recommended the payment of an interim dividend of RMB0.12 (tax inclusive) per share for the six months ended 30 June 2021.

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 2021 (the “**Reporting Period**” or the “**Period**”), together with comparative figures for the corresponding period in 2020 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 2021

		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
	Notes		
REVENUE	4	897,895	558,143
Cost of sales		<u>(772,264)</u>	<u>(469,146)</u>
Gross profit		125,631	88,997
Other income and gains		3,411	1,272
Selling and distribution costs		(12,133)	(10,109)
Administrative expenses		(26,829)	(19,945)
Impairment losses on financial and contract assets, net		(1,964)	(52)
Other expenses		(5,116)	(2,175)
Finance costs		(4,392)	(6,780)
Share of profits and losses of:			
Joint ventures		(2,015)	(1,221)
Associates		5,118	3,248
PROFIT BEFORE TAX	5	81,711	53,235
Income tax expense	6	<u>(19,998)</u>	<u>(11,932)</u>
PROFIT FOR THE PERIOD		<u>61,713</u>	<u>41,303</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>–</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>61,713</u>	<u>41,303</u>
Attributable to:			
Owners of the parent		60,336	40,256
Non-controlling interests		<u>1,377</u>	<u>1,047</u>
		<u>61,713</u>	<u>41,303</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period (RMB)	8	<u>0.44</u>	<u>0.40</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	471,722	470,953
Investment properties		214,270	217,819
Right-of-use assets		127,204	130,655
Other intangible assets		4,319	4,309
Investments in joint ventures		262,478	210,251
Investments in associates		25,373	21,255
Financial assets at fair value through profit or loss		10,341	12,230
Deferred tax assets		145,186	148,373
Other non-current assets		7,815	8,581
		<hr/>	<hr/>
Total non-current assets		1,268,708	1,224,426
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		9,099	8,176
Trade and bills receivables	10	127,836	89,585
Contract assets		18,941	15,928
Prepayments, other receivables and other assets		17,913	21,828
Financial assets at fair value through profit or loss		10,845	10,728
Pledged deposits		1,784	2,031
Cash and cash equivalents		306,514	342,317
		<hr/>	<hr/>
Total current assets		492,932	490,593
		<hr/>	<hr/>

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	11	158,922	137,594
Other payables and accruals		69,805	61,158
Contract liabilities		110,671	110,570
Tax payable		6,342	8,967
Lease liabilities		11,261	11,008
		<hr/>	<hr/>
Total current liabilities		357,001	329,297
		<hr/>	<hr/>
NET CURRENT ASSETS		135,931	161,296
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,404,639	1,385,722
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Contract liabilities		353,308	364,229
Interest-bearing bank borrowings	12	114,500	114,500
Lease liabilities		155,146	152,560
		<hr/>	<hr/>
Total non-current liabilities		622,954	631,289
		<hr/>	<hr/>
Net assets		781,685	754,433
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	137,845	137,845
Reserves		623,690	597,815
		<hr/>	<hr/>
		761,535	735,660
		<hr/>	<hr/>
Non-controlling interests		20,150	18,773
		<hr/>	<hr/>
TOTAL EQUITY		781,685	754,433
		<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE INFORMATION

JiaXing Gas Group Co., Ltd. is a joint stock company with limited liability established in the People's Republic of China (“PRC”). The registered office of the Company is located at Building 3, Hualong Plaza, 32 Qinyi Road, Jiaxing, China.

The principal business activities of the Group during the period included (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 and 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.

On 31 December 2020, 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 from 1 January 2021 to 15 July 2021. During the reporting period, the concert parties, as the single largest group of shareholders, 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.

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 2021 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 annual consolidated financial statements for the year ended 31 December 2020.

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 annual consolidated financial statements for the year ended 31 December 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 9, IAS 39 IFRS 4, IFRS 7
and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2
Covid-19-Related Rent Concessions

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group.

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, electricity 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	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Mainland China	897,895	558,143

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	792,687	486,406
Provision of construction services	75,202	41,058
Provision of installation and management services	23,972	24,270
Provision of transportation services	2,199	1,768
Others	1,084	30
<i>Revenue from other sources</i>		
Gross rental income	6,496	6,907
	901,640	560,439
Less: Government surcharges	(3,745)	(2,296)
	897,895	558,143
<u>Revenue from contracts with customers</u>		
Types of goods or services		
Sales of PNG	680,112	427,218
Sales of LNG	54,220	16,919
Sales of LPG	37,398	25,432
Sales of vapour	13,049	10,278
Sales of electricity	764	–
Sales of construction materials	7,144	6,559
Provision of construction services	75,202	41,058
Provision of installation and management services	23,972	24,270
Provision of gas transportation services	2,199	1,768
Others	1,084	30
Total revenue from contracts with customers	895,144	553,532
Timing of revenue recognition		
Goods or services transferred at a point in time	795,970	488,204
Services transferred over time	99,174	65,328
Total revenue from contracts with customers	895,144	553,532

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	712,260	434,623
Cost of services provided	60,004	34,523
Loss on disposal of items of property, plant and equipment	842	19
Gain on disposal of right-of-use assets	(1,693)	–
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	1,733	(2)
Impairment of financial assets included in prepayments, other receivables and other assets	231	55
Fair value loss, net:		
Financial assets at fair value through profit or loss	1,772	1,629

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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Income tax in the PRC for the period	15,951	10,057
Deferred tax	4,047	1,875
Total tax charge for the period	<u>19,998</u>	<u>11,932</u>

7. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared and paid – RMB0.25 (2020: nil) per ordinary share	<u>34,461</u>	<u>–</u>

The board of directors resolve to recommend an interim dividend of RMB0.12 (six months ended 30 June 2020: Nil) per ordinary share, amounting to a total of approximately RMB16,541,000 (six months ended 30 June 2020: Nil), which subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting.

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 137,844,500 (six months ended 30 June 2020: 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent		
used in the basic and diluted earnings per share calculation	<u>60,336</u>	<u>40,256</u>
	Number of shares	
	For the six months	
	ended 30 June	
	2021	2020
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the		
period used in the basic and diluted earnings per share calculation	<u>137,844,500</u>	<u>100,000,000</u>

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 RMB'000
Carrying value at beginning of the period (audited)	470,953
Additions	22,459
Depreciation charge for the period	(20,848)
Disposals	<u>(842)</u>
Carrying value at end of the period (unaudited)	<u>471,722</u>

Property, plant and equipment of a net book value of RMB15,388,000 as at 30 June 2021 (31 December 2020: RMB15,635,000) are pledged as security for interest-bearing bank loans granted to the Group (note 12).

10. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	128,873	90,507
Bills receivable	3,308	1,690
	<u>132,181</u>	<u>92,197</u>
Impairment	(4,345)	(2,612)
	<u>127,836</u>	<u>89,585</u>

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	122,630	85,258
Over one year	5,206	4,327
	<u>127,836</u>	<u>89,585</u>

11. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	150,005	127,520
Bills payable	8,917	10,074
	<u>158,922</u>	<u>137,594</u>

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	157,895	135,312
1 to 2 years	102	1,338
Over 2 years	925	944
	<u>158,922</u>	<u>137,594</u>

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Non-current						
Bank loans-secured	LPR* (1+20.18%)	2022-2023	20,000	LPR* (1+20.18%)	2022-2023	20,000
	LPR+0.05%	2028-2029	94,500	LPR+0.05%	2028-2029	94,500
			114,500			114,500
				30 June 2021	31 December 2020	
				RMB'000 (Unaudited)	RMB'000 (Audited)	
Analysed into:						
Repayable in the second to fifth years				20,000	20,000	
Repayable over five years				94,500	94,500	
				114,500	114,500	

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

	30 June 2021	31 December 2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Pledge of assets:		
Investment properties	128,870	130,932
Property, plant and equipment	15,388	15,635
Pledged deposits	–	2,031
	144,258	148,598

13. SHARE CAPITAL

	Number of shares	Nominal value <i>RMB'000</i>
Ordinary shares as at 31 December 2020 (audited) and 30 June 2021 (unaudited)	137,844,500	137,845

14. CONTINGENT LIABILITIES

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Guarantee bank loan of Zhejiang Hangjiaxin Clean Energy Co., Ltd. (“ Hangjiaxin ”)	476,326	506,326

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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

At the general debate of the 75th session of the United Nations General Assembly, President Xi Jinping gave a keynote speech announced that China would aim to reach CO₂ emissions peak before 2030 and achieve carbon neutrality by 2060 by adopting more vigorous policies and measures, which set up a clear goal for the low-carbon energy transition in China.

To achieve the goal of carbon neutrality and carbon peak, the transformation of energy structure is inevitable. Natural gas, the low-carbon energy, will play a bridging and supporting role in energy transformation with huge room for development. According to the 14th Five-Year Plan for the Development of Coal, Petroleum and Natural Gas in Zhejiang Province (the “**14th Five-Year Plan**”), the basic goal is to ensure the internal demand in Zhejiang Province, during the period of the 14th Five-Year Plan, make full use of international and domestic resources to expand resource supply channels, improve natural gas storage facilities, and enhance storage capacity. In 2020, the natural gas consumption in Zhejiang Province was 14.3 billion m³, accounting for 7.0% of total primary energy consumption. The goal of the 14th Five-Year Plan is to increase the proportion of natural gas consumption in the primary energy consumption in Zhejiang Province to 12.98% by 2025 by consuming 31.5 billion m³ of natural gas. The 14th Five-Year Plan proposes to actively develop industrial gas consumption, actively promote natural gas distributed energy projects, and encourage the use of natural gas to meet new energy demand in the industries such as building materials and textiles with high energy consumption levels.

With the continuous advancement of urbanization, the population in urban areas and urban gasification rate continue to increase, and under the residents’ consumption upgrade trend, the gas consumption of residential users will maintain a steady growth in the future. The central government began to implement a clean heating policy in the northern region in 2017. In recent years, the heating problem in the south has also received high attention from all walks of life. After experiencing many “cold winters”, the market has seen a certain rigid demand, and natural gas, as clean energy for heating, has a relatively huge room for development.

DEVELOPMENT STRATEGY AND OUTLOOK

In the second half of 2021, the Company will speed up the connection of receiving stations and outbound pipelines to ensure a high-quality development of the main natural gas business by actively capitalizing on policy opportunities and compete for other clean energy projects leveraged by its team, technology and experience in clean energy operation services, actively develop itself into a more comprehensive integrated energy services provider.

BUSINESS REVIEW

The Company is a gas operator in the Operating Area of Jiaxing City. Its main businesses include PNG (under the concessions), LNG and LPG, as well as provision of construction and installation services. At the end of the Reporting Period, we provided gas supply services for 392,000 residential users and 1,858 industrial and commercial users, with a gas sales volume of 282 million m³, representing an increase of 73.43% over the corresponding period of last year.

As at the end of the Reporting Period, the Company, as the largest PNG supply operator in Jiaying City, Zhejiang Province, China, operated a natural gas pipeline network, with a total length of 973.75 km (comprising 653.02 km of self-invested pipeline network and 320.73 km of leased urban pipeline network, and excluding 46.78 km of urban pipeline network under construction, among which 17.32 km was self-invested) in the operating area of Jiaying.

As of 30 June 2021, the reservoir area part of the Hangjiaying's LNG reception terminal project at the Dushan Port that is currently under construction has basically been completed and is now at the preparation stage for trial operation. The hydraulic structure of the terminal project was fundamentally completed, the processing installation has begun and will enter the trial operation stage by the end of the year as planned. 30% of the outbound pipelines were constructed.

FINANCIAL OVERVIEW

Revenue

For the Period, the revenue of the Group was RMB897.9 million, representing an increase of 60.89% compared with RMB558.1 million in the same period of last year, mainly due to after the Covid-19 pandemic has stabilized, the Company has actively expanded various businesses and achieved varying magnitudes growth.

Gross Profit

For the Period, the gross profit of the Group was RMB125.6 million, representing an increase of 41.12% compared with RMB89.0 million in the same period of last year, mainly due to the amount of gas sold increased and there were more completed projects during the Period, therefore the gross profit increased more.

Other Income and Gains

For the Period, the other income and gains of the Group were RMB3.4 million, representing an increase of 161.54% compared with RMB1.3 million in the same period of last year, due to following receipt of the proceeds, the Company reasonably planned the use of funds, and the interest income increased compared with the same period of last year.

Finance Costs

For the Period, the finance costs of the Group were RMB4.4 million, representing a decrease of 35.29% compared with RMB6.8 million in the same period of last year, mainly due to the decrease in interest expenses as a result of the reduction of bank borrowings.

Income Tax Expense

For the Period, the income tax expense of the Group increased from RMB11.9 million in the same period of last year to RMB20.0 million. The effective tax rate for the Period was 24.48%.

Profit Attributable to Owners of the Parent

For the Period, the profit attributable to owners of the parent was RMB60.3 million, representing an increase of 49.63% compared with RMB40.3 million in the same period of last year, mainly due to the effective control of the Covid-19 pandemic, user capacity has recovered and increased, gas consumption has increased, and the scale of project construction has increased during the Period.

Liquidity and Financial Position

As at 30 June 2021, the current assets of the Group amounted to RMB492.9 million (31 December 2020: RMB490.6 million), of which cash and bank balance were RMB308.3 million.

As at 30 June 2021, the current ratio (current assets/current liabilities) of the Group was 1.38 (31 December 2020: 1.49) and the asset-liability ratio (total liabilities/total assets) was 55.63% (31 December 2020: 56.01%). As of 30 June 2021, the utilised bank loans were RMB114.5 million, all of which were denominated in RMB, with the annual interest rate of 4.63%-4.70%. As of 30 June 2021, the unutilised bank credit balance was RMB380.9 million.

The gearing ratio of the Group was about 14.65% as at 30 June 2021 (as at 31 December 2020: about 15.18%). The ratio was calculated as total bank borrowings divided by the total equity of the Group. As at 30 June 2021, 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. The Group's foreign exchange exposure was mainly related to cash and cash equivalents (mainly denominated in Hong Kong dollars), which is the proceeds from the initial public offering of the Group. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate measures when necessary.

Contingent Liabilities

In 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 2021, the Group had no other material contingent liabilities.

Financial Guarantee Obligations

As at 30 June 2021, the Group provided a guarantee to the bank for a loan of RMB476.3 million (31 December 2020: RMB506.3 million) granted to the joint venture company, Hangjiaxin.

Pledge of Assets

As at 30 June 2021, 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 2021 (RMB million) (Unaudited)	31 December 2020 (RMB million) (Audited)
Pledge of assets:		
Investment properties	128.9	130.9
Property, plant and equipment	15.4	15.6
Pledged deposits	–	2.0

Significant Investment

During the Reporting Period, the Group did not hold any significant investment.

Material Acquisition and Disposal

During the Reporting Period, the Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures.

Human Resources and Employee Compensation

As at 30 June 2021, the Group had a total of 366 employees in China (30 June 2020: 370).

During the Period, the total employee costs of the Group were approximately RMB29.1 million. The Group further strengthens the training of employees to enhance 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

There have been no significant events since the end of the Reporting Period.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

H shares of the Company were officially listed on the Stock Exchange on 16 July 2020. A total of 37,844,500 H shares were issued by the Company by way of a global offering, at an offer price of HK\$10.00 per H share, with the net proceeds (after deducting the listing expense) of approximately HK\$334.0 million (equivalent to RMB302.1 million) from its initial public offering. The Group has used the proceeds and will continue to allocate and use the proceeds for the purposes specified in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 June 2020.

As of 30 June 2021, the details of the use of the above net proceeds are as follows:

Designated use of net proceeds	% of net proceeds from the global offering	Net proceeds from the global offering and use of proceeds			Expected to be utilised prior to the following date
		Allocated amount (RMB'000)	Utilised (RMB'000)	Unutilised (RMB'000)	
Funding our payment of the registered capital of Hangjiaxin and providing shareholder's loan to Hangjiaxin by batches	80%	241,697	102,550	139,147	By the end of 2021
Upgrading our pipeline network (including urban pipeline network and end-user pipeline network) and operational facilities of the Group in Jiaying	10%	30,212	17,011	13,201	By the end of 2022
Working capital and general corporate purposes	10%	<u>30,212</u>	<u>18,742</u>	<u>11,470</u>	By the end of 2022
Total	100%	<u>302,121</u>	<u>138,303</u>	<u>163,818</u>	

As at the date of this announcement, the unutilised net proceeds are deposited in the interest-bearing account opened with a licensed bank.

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

For the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 its shareholders' interests and enhance the Company's corporate value, accountability, and transparency.

The Company has adopted 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**"). In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the Reporting Period, except for the deviation from code provision A.2.1.

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 has been responsible for overall strategic planning and management of the Group since 1998. The Board meets regularly to consider major matters affecting the operations of the Group, as such, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group and believes 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 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' and Supervisors' 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 (the "**Code of Conduct**").

Specific enquiry has been made of all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they have complied with the Code of Conduct throughout the Reporting Period.

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 Reporting Period.

INTERIM DIVIDEND

The Board resolved to recommend the payment of an interim dividend of RMB0.12 (tax inclusive) per share for the six months ended 30 June 2021 (the “**2021 Interim Dividend**”) with an aggregate amount of approximately RMB16,541,000 (tax inclusive) to shareholders of the Company whose names appear on the Company’s register of members as at Tuesday, 26 October 2021, subject to the approval by the shareholders at the 2021 first extraordinary general meeting of the Company (the “**EGM**”) to be held on Wednesday, 13 October 2021. Once the relevant resolution is passed at the EGM, the 2021 Interim Dividend is expected to be paid around Friday, 5 November 2021.

Dividends will be paid in Renminbi for holders of domestic shares of the Company, and dividends for H share shareholders of the Company (the “**H Shareholders**”) will be paid in Hong Kong dollars. The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People’s Bank of China for the week prior to the date of approval of declaration of dividends by the EGM.

Under the requirements of the Law of the People’s Republic of China on Enterprise Income Tax 《中華人民共和國企業所得稅法》, the Regulations for the Implementation of the Law of the People’s Republic of China on Enterprise Income Tax 《中華人民共和國企業所得稅法實施條例》 implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the 2021 Interim Dividend to its H Shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other institutional nominees and trustees, or other organizations or groups) listed on the H share register of members on Tuesday, 26 October 2021.

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

The Company will determine the country of domicile of the individual H Shareholders based on the registered address as recorded in the H share register of members of the Company on Tuesday, 26 October 2021. If the country of domicile of an individual H Shareholder is not the same as the registered address or if the individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Tuesday, 19 October 2021. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights of H Shareholders to attend and vote at the EGM and their entitlements to the 2021 Interim Dividend, the H share register of members of the Company will be closed, the details of which are set out below:

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Wednesday, 6 October 2021
Closure of register of members (both days inclusive)	Thursday, 7 October 2021 to Wednesday, 13 October 2021
Record date	Wednesday, 13 October 2021

(2) For determining the entitlements of H Shareholders to the 2021 Interim Dividend

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 19 October 2021
Closure of register of members (both days inclusive)	Wednesday, 20 October 2021 to Tuesday, 26 October 2021
Record date	Tuesday, 26 October 2021

During the above closure periods, no transfer of H shares will be registered. To be eligible to attend and vote at the EGM, and to qualify for the 2021 Interim Dividend, all transfer documents, accompanied by the relevant certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration, by no later than the aforementioned latest times.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Board (the “**Audit Committee**”) comprising 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 Company’s 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.

PUBLICATION OF INTERIM RESULTS AND 2021 INTERIM REPORT

This announcement is published on the websites of the Company (<http://www.jxrqgs.com>) and the Stock Exchange (<http://www.hkexnews.hk>). The interim report of the Company for the Reporting Period will be despatched 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 in due course.

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

Jiaxing, the People’s Republic of China
30 August 2021

As at the date of this announcement, the Board comprises Mr. Sun Lianqing and Mr. Xu Songqiang as executive Directors; Mr. He Yujian, Mr. Zheng Huanli, Mr. Fu Songquan and Mr. Ruan Hongliang as non-executive Directors; Mr. Yu Youda, Mr. Cheng Hok Kai Frederick and Mr. Zhou Xinfu as independent non-executive Directors.

* For identification purpose only