

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 RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

Financial Highlights

- Revenue for the Period was RMB1,304.5 million, representing an increase of 45.28% over the corresponding period of last year.
- Gross profit for the Period was RMB94.4 million, representing a decrease of 24.84% over the corresponding period of last year.
- Profit attributable to the owners of the parent for the Period was RMB28.6 million, representing a decrease of 52.57% over the corresponding period of last year.
- Basic earnings per share for the Period amounted to RMB0.21 (the corresponding period of last year: RMB0.44).

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 2022 (the “**Reporting Period**” or the “**Period**”), together with comparative figures for the corresponding period in 2021 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 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	4	1,304,538	897,895
Cost of sales		<u>(1,210,165)</u>	<u>(772,264)</u>
Gross profit		94,373	125,631
Other income and gains		12,433	3,411
Selling and distribution costs		(8,999)	(12,133)
Administrative expenses		(27,317)	(26,829)
Impairment losses on financial and contract assets, net		(114)	(1,964)
Other expenses		(6,601)	(5,116)
Finance costs		(6,083)	(4,392)
Share of profits and losses of:			
Joint ventures		(9,582)	(2,015)
Associates		<u>(2,629)</u>	<u>5,118</u>
PROFIT BEFORE TAX	5	45,481	81,711
Income tax expense	6	<u>(12,763)</u>	<u>(19,998)</u>
PROFIT FOR THE PERIOD		<u>32,718</u>	<u>61,713</u>

	2022	2021
	(Unaudited)	(Unaudited)
<i>Notes</i>	RMB'000	RMB'000
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Fair value reserve of financial assets at fair value through other comprehensive income:		
Initial recognition of bills receivable as settlement of trade receivables	(157)	–
Changes in fair value	95	–
Income tax effect	16	–
	<u> </u>	<u> </u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(46)	–
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(46)	–
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	32,672	61,713
	<u> </u>	<u> </u>
Profit attributable to:		
Owners of the parent	28,566	60,336
Non-controlling interests	4,152	1,377
	<u> </u>	<u> </u>
	32,718	61,713
	<u> </u>	<u> </u>
Total comprehensive income attributable to:		
Owners of the parent	28,520	60,336
Non-controlling interests	4,152	1,377
	<u> </u>	<u> </u>
	32,672	61,713
	<u> </u>	<u> </u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted		
– For profit for the period (RMB)	8	0.44
	<u> </u>	<u> </u>
	0.21	0.44
	<u> </u>	<u> </u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited/ restated)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	533,201	494,280
Investment properties		214,159	220,203
Right-of-use assets		121,193	126,062
Other intangible assets		4,014	4,498
Investments in joint ventures	2.2(b)	344,814	354,396
Investments in associates		13,227	15,006
Financial assets at fair value through profit or loss		22,447	18,347
Deferred tax assets		131,409	134,228
Other non-current assets		7,187	7,274
		<hr/>	<hr/>
Total non-current assets		1,391,651	1,374,294
CURRENT ASSETS			
Inventories		22,723	60,574
Trade and bills receivables	10	164,067	144,942
Contract assets		6,414	7,786
Prepayments, other receivables and other assets		29,362	32,705
Financial assets at fair value through profit or loss		2,856	9,894
Debt investment at amortised cost		60,000	60,000
Pledged deposits		24,041	14,862
Cash and cash equivalents		369,322	258,664
		<hr/>	<hr/>
Total current assets		678,785	589,427

		30 June 2022	31 December 2021
		(Unaudited)	(Audited/ restated)
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	306,388	242,898
Other payables and accruals		77,852	58,837
Contract liabilities		114,528	94,837
Interest-bearing bank borrowings	<i>12</i>	27,580	20,720
Tax payable		7,705	6,072
Lease liabilities		11,984	11,763
		<hr/>	<hr/>
Total current liabilities		546,037	435,127
		<hr/>	<hr/>
NET CURRENT ASSETS		132,748	154,300
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,524,399	1,528,594
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Contract liabilities		335,255	344,076
Interest-bearing bank borrowings	<i>12</i>	211,560	223,780
Lease liabilities		147,260	144,859
		<hr/>	<hr/>
Total non-current liabilities		694,075	712,715
		<hr/>	<hr/>
Net assets		830,324	815,879
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	137,845	137,845
Reserves	<i>2.2(b)</i>	663,142	655,299
		<hr/>	<hr/>
		800,987	793,144
		<hr/>	<hr/>
Non-controlling interests		29,337	22,735
		<hr/>	<hr/>
TOTAL EQUITY		830,324	815,879
		<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

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) other activities, including the provision of natural gas transportation services, the sale of vapour and construction materials, and the leasing of properties in Mainland China.

On 16 July 2021, the concert parties, namely Zhejiang Taiding Investment Company Limited ("Taiding"), Fengye Holdings Group Company Limited ("Fengye"), Mr. Xu Songqiang (徐松強) and Ms. Xu Hua (徐華), entered into a concert party agreement with respect to their interests in the Company. Pursuant to the concert party agreement, Fengye, Mr. Xu Songqiang and Ms. Xu Hua agreed to delegate their voting rights at general meetings of the Company to Taiding from 16 July 2021 to 15 July 2023. Concert parties have interests in each other's interests. As of 30 June 2022, the concert parties held an approximately 25.42% 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 was no single controlling shareholder 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 2022 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 2021.

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 2021, 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>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. A joint venture of the Group, Zhejiang Hangjiaxin Clean Energy Co., Ltd. (“**Hangjiaxin**”), started trial operation in September 2021 and generated revenue of RMB19,000,000 and incurred cost of RMB36,440,000 during the year ended 31 December 2021 (the “**Trial Operation Results for 2021**”). Hangjiaxin deducted the Trial Operation Results for 2021 from the cost of relevant property, plant and equipment for the year 2021. The Group made retrospective adjustment according to the Amendments to IAS 16, and correspondingly reduced the investments in joint ventures and retained profits by RMB8,894,000.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any significant impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any significant impact on the financial position or performance of the Group.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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, PRC; (ii) the provision of construction installation services; and (iii) other activities, including the provision of gas storage services, the provision of natural gas transportation services, the sale of vapour, electricity and construction materials, and the leasing of properties. 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	<u>1,304,538</u>	<u>897,895</u>

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 first quarter and fourth 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	1,216,247	792,687
Provision of construction services	55,615	75,202
Provision of installation and management services	23,392	23,972
Provision of gas storage services	4,799	–
Provision of transportation services	1,097	2,199
Others	999	1,084
<i>Revenue from other sources</i>		
Gross rental income	6,664	6,496
	1,308,813	901,640
Less: Government surcharges	(4,275)	(3,745)
	1,304,538	897,895
 <u>Revenue from contracts with customers</u>		
Types of goods or services		
Sales of PNG	983,140	680,112
Sales of LNG	95,339	54,220
Sales of LPG	76,027	37,398
Sales of vapour	17,727	13,049
Sales of electricity	519	764
Sales of other gas	40,219	–
Sales of construction materials	3,276	7,144
Provision of construction services	55,615	75,202
Provision of installation and management services	23,392	23,972
Provision of gas storage services	4,799	–
Provision of gas transportation services	1,097	2,199
Others	999	1,084
Total revenue from contracts with customers	1,302,149	895,144
 Timing of revenue recognition		
Goods or services transferred at a point in time	1,218,343	795,970
Services transferred over time	83,806	99,174
Total revenue from contracts with customers	1,302,149	895,144

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold	1,177,142	712,260
Cost of services provided	33,023	60,004
Loss on disposal of items of property, plant and equipment	869	842
Gain on disposal of right-of-use assets	–	(1,693)
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	352	1,733
Impairment of financial assets included in prepayments, other receivables and other assets	(238)	231
Fair value loss, net:		
Financial assets at fair value through profit or loss	6,473	1,772

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 PRC 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**”).

Certain of the subsidiaries, which operate in the PRC, are identified as Small and Micro Enterprises and were entitled to a preferential tax rate of 2.5% or 10% during the period.

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax:		
Income tax in the PRC for the period	9,928	15,951
Deferred tax	2,835	4,047
Total tax charge for the period	<u>12,763</u>	<u>19,998</u>

7. DIVIDENDS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Final declared and paid – RMB0.15 (2021: RMB0.25) per ordinary share	<u>20,677</u>	<u>34,461</u>

For the period ended 30 June 2021, the Board of Directors resolved to recommend an interim dividend of RMB0.12 per ordinary share, amounting to a total of approximately RMB16,541,000, which was approved by the Company's shareholders on 13 October 2021. The Board of Directors did not recommend any dividend for the period ended 30 June 2022.

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 2021: 137,844,500) in issue during the period.

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

	For the six months ended 30 June	
	2022	2021
	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>28,566</u>	<u>60,336</u>
	Number of shares For the six months ended 30 June	
	2022	2021
<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>137,844,500</u>

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 RMB'000
Carrying value at beginning of the period (audited)	494,280
Additions	57,615
Depreciation charge for the period	(20,225)
Transferred from investment properties	2,400
Disposals	<u>(869)</u>
Carrying value at end of the period (unaudited)	<u>533,201</u>

Property, plant and equipment of a net book value of RMB7,388,000 as at 31 December 2021 were pledged as security for interest-bearing bank loans granted to the Group (note 12).

10. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	155,035	139,835
Bills receivable	14,125	9,848
	<u>169,160</u>	<u>149,683</u>
Impairment	(5,093)	(4,741)
	<u>164,067</u>	<u>144,942</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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	152,155	138,962
Over one year	11,912	5,980
	<u>164,067</u>	<u>144,942</u>

11. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	186,185	168,586
Bills payable	120,203	74,312
	<u>306,388</u>	<u>242,898</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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	305,311	241,951
One to two years	257	175
Over two years	820	772
	<u>306,388</u>	<u>242,898</u>

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2022			31 December 2021		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Bank loans – secured	LPR*			LPR*		
	(1+20.18%)	2022	10,000	(1+20.18%)	2022	10,000
	LPR+0.10%	2022-2023	4,080	LPR+0.10%	2022	900
	LPR+0.05%	2022-2023	13,500	LPR+0.05%	2022	9,820
			<u>27,580</u>			<u>20,720</u>
Non-current						
Bank loans – secured	LPR*			LPR*		
	(1+20.18%)	2023	10,000	(1+20.18%)	2022-2023	10,000
	LPR+0.10%	2023-2029	49,970	LPR+0.10%	2022-2029	53,600
	LPR+0.05%	2023-2028	151,590	LPR+0.05%	2022-2028	160,180
			<u>211,560</u>			<u>223,780</u>
			<u>239,140</u>			<u>244,500</u>

30 June 2022	31 December 2021
RMB'000 (Unaudited)	RMB'000 (Audited)

Analysed into:

Bank loans and borrowings repayable:

Within one year or on demand	27,580	20,720
In the second year	34,440	34,440
In the third to fifth years, inclusive	81,870	79,020
Beyond five years	95,250	110,320
	<u>239,140</u>	<u>244,500</u>

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

	30 June 2022	31 December 2021
	RMB'000 (Unaudited)	RMB'000 (Audited)
Pledge of assets:		
Investment properties	123,929	120,022
Property, plant and equipment	–	7,388
	<u>123,929</u>	<u>127,410</u>

13. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Ordinary shares as at 31 December 2021 (audited) and 30 June 2022 (unaudited)	137,844,500	137,845

14. CONTINGENT LIABILITIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Guarantee bank loan of Hangjiixin	446,577	446,326

In December 2018, the Group's joint venture, Hangjiixin, 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 Hangjiixin is remote after taking the predicted cash inflow of Hangjiixin 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 for the bank loan of Hangjiixin.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In March 2022, as affected by the resurgence of the COVID-19 Pandemic (“**Pandemic**”), the international situations and other unexpected factors, there was a tight supply in China’s gas supply, leading to high prices and great pressure to ensure supply. In July 2022, PipeChina and Zhejiang Provincial Energy Group entered into a contract to jointly establish the PipeChina Zhejiang Provincial Natural Gas Pipeline Network Co., Ltd., as the main body of the construction and operation of the natural gas pipeline network in Zhejiang Province, PRC (“**Zhejiang Province**”) and provide a fair, open and competitive service platform for various resource entities and downstream market users.

According to the Comprehensive Work Plan for Energy Conservation and Emission Reduction of Zhejiang Province during the 14th Five-Year Plan Period (Draft for Comment) issued on the official website of Zhejiang Provincial Development and Reform Commission, Zhejiang Province will “strictly and reasonably control the growth of coal consumption, strictly control new coal-consuming projects, new construction, renovation and expansion projects will implement coal reduction and substitution, and the pilot free trade zone will be given priority to using non-fossil energy and natural gas to meet the new energy demand. It is forbidden to build enterprises’ self-provided coal-fired facilities. The fuel gas generator, coal-fired hot air furnaces, heating furnaces, heat treatment furnaces, drying furnaces (kilns) and building materials industry will be promoted in a stable and orderly manner to reduce the amount of coal, and implement clean electricity and natural gas replacement.” The Zhejiang Province, will also “continue to implement coal-to-gas projects and completely eliminate coal-fired boilers below 35 tons.” Therefore, the proportion of natural gas in primary energy consumption in Zhejiang Province is expected to further increase.

BUSINESS REVIEW

The Group is the largest city gas operator in Jiaxing, a major prefecture-level city in Zhejiang Province. Its main businesses include the sale of PNG (under the concessions), LNG and LPG, as well as the provision of construction and installation services. As at 30 June 2022, we provided gas supply services for 418,000 residential users and 2,019 industrial and commercial users.

In the first half of 2022, due to the unexpected factors such as the resurgence of the Pandemic and the rising of resource prices, the sales volume of natural gas decreased slightly compared with the same period in 2021. The gas sales volume was 268 million m³, representing a slight decrease of 4.96% compared with the same period in 2021, indicating that the market demand remains strong. In addition, due to the rising price of upstream resources, even though the prices of industrial and commercial users can be passed down according to the upstream and downstream price linkage mechanism, the change of the price of residential users needs to be approved by a hearing and cannot be adjusted in time. Under the requirements of the Notice on Implementing the Spirit of Zhejiang Provincial Government’s Special Conference on Natural Gas Supply Guarantee and Properly Carrying out Work in Subsidizing Losses on Differences between Residential Gas Purchase and Sales Prices in the Heating Season in 2021 issued by Zhejiang Provincial Department of Finance, Zhejiang Provincial Development and Reform Commission and Zhejiang Provincial Department of Housing and Urban-Rural Development,

all local governments should provide subsidies for losses resulting from the non-adjustment of residential gas prices by the city gas enterprises in the Heating Season in 2021, according to the specific operation situation of the enterprises. The Group is actively applying for this subsidy and the amount of subsidy is expected to be confirmed by the end of 2022.

On 21 July 2022, Dushan Port completed the first LNG receiving and unloading work, which means that this project with a designed annual LNG receiving and unloading capacity of 1 million tons was officially put into operation. As the third LNG reception put into operation in Zhejiang Province, and the only natural gas import facility currently in northern Zhejiang Province, it will play its due role as an important part of the three-tier natural gas reserve system in Zhejiang Province.

As at 30 June 2022, the Group operated a natural gas pipeline network in its operating area, with the total length of 1,024.01 km (comprising 680.06 km of self-constructed pipeline network and 343.95 km of leased urban pipeline network, and excluding 60.61 km of urban pipeline network under construction, among which 34.86 km was self-constructed).

FINANCIAL OVERVIEW

Revenue

For the Period, the revenue of the Group was RMB1,304.5 million, representing an increase of 45.28% compared with RMB897.9 million in the same period of last year, mainly due to the increase in the purchase price of natural gas and the increase in the sales price of non-residential natural gas.

Gross Profit

For the Period, the gross profit of the Group was RMB94.4 million, representing a decrease of 24.84% compared with RMB125.6 million in the same period of last year, mainly due to the inversion of residential gas sales prices during the Period incurring losses.

Other Income and Gains

For the Period, the other income and gains of the Group were RMB12.4 million, representing an increase of 264.71% compared with RMB3.4 million in the same period of last year, mainly due to the currency exchange gains against Hong Kong dollars.

Finance Costs

For the Period, the finance costs of the Group were RMB6.1 million, representing an increase of 38.64% compared with RMB4.4 million in the same period of last year, mainly due to the increase in interest expense on bank acceptance discounts.

Income Tax Expense

For the Period, the income tax expense of the Group decreased from RMB20.0 million in the same period of last year to RMB12.8 million. The effective tax rate for the Period was 28.13%.

Profit Attributable to Owners of the Parent

For the Period, the profit attributable to owners of the parent was RMB28.6 million, representing a decrease of 52.57% compared with RMB60.3 million in the same period of 2021, mainly due to the losses due to the inversion of residential gas sales prices and the relevant subsidy from the government is expected to be confirmed only at a later stage this year.

Liquidity, Financial Position and Capital Structure

As at 30 June 2022, the current assets of the Group amounted to RMB678.8 million (31 December 2021: RMB589.4 million), of which cash and bank balance were equivalent to RMB369.3 million (31 December 2021: RMB258.7 million).

As at 30 June 2022, the current ratio (current assets/current liabilities) of the Group was 1.24 (31 December 2021: 1.35) and the asset-liability ratio (total liabilities/total assets) was 59.90% (31 December 2021: 58.45%). As of 30 June 2022, the utilised bank loans were RMB239.1 million, all of which were denominated in RMB, with the annual interest rate of 4.55%-4.75%. All the utilised bank loans are floating interest rate loans. As at 30 June 2022, the unutilised bank credit balance was RMB497.4 million. As at 30 June 2022, the Group also had lease liabilities of RMB159.3 million, of which RMB12.0 million is analyzed as current portion, and RMB147.3 million analyzed as non-current portion.

The gearing ratio of the Group was about 0.62% as at 30 June 2022 (as at 31 December 2021: about 13.86%). The ratio was calculated as total bank borrowings divided by the total equity of the Group. As at 30 June 2022, 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, Zhejiang Hangjiaxin Clean Energy Co., Ltd. (“**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 default in payment regarding to the bank loan of Hangjiaxin is low, after taking the fair value of pledged assets provided by Hangjiaxin and 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 Hangjiaxin.

As at 30 June 2022, the Group had no other material contingent liabilities.

Financial Guarantee Obligations

As at 30 June 2022, the Group provided a guarantee to the bank for a loan of RMB446.6 million (31 December 2021: RMB446.3 million) granted to the joint venture company, Hangjiaxin.

Pledge of Assets

As at 30 June 2022, 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 2022 <i>(RMB million)</i> (Unaudited)	31 December 2021 <i>(RMB million)</i> (Audited)
Pledge of assets:		
Investment properties	123.9	120.0
Property, plant and equipment	–	7.4

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 2022, the Group had a total of 375 (30 June 2021: 366) employees in the PRC.

During the Period, the total employee costs of the Group were approximately RMB32.0 million (six months ended 30 June 2021: 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 by distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provides employees with competitive remuneration packages which are determined with reference to their qualifications and performance to incentivise them for hard work and better customer service.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the Reporting Period and up to the date of this announcement.

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 (the “H Share(s)”) 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 2022, 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	204,550	37,147	By the end of 2022
Upgrading our pipeline network (including urban pipeline network and end-user pipeline network) and operational facilities of the Group in Jiaying	10%	30,212	27,003	3,209	By the end of 2022
Working capital and general corporate purposes	10%	<u>30,212</u>	<u>27,162</u>	<u>3,050</u>	By the end of 2022
Total	100%	<u>302,121</u>	<u>258,715</u>	<u>43,406</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**") as the basis of the Company's corporate governance practices. In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Part 2 of CG Code during the Reporting Period, except for the deviation from code provisions C.2.1 and F.1.1.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated 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**"). 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.

Pursuant to code provision F.1.1 of the CG Code, the issuer should have a policy on payment of dividends. The Company has not adopted a formal dividend policy. As the Company is still in its development phase and the performance will continue to be impacted by the relevant industry's and economic outlook in the foreseeable future, the Board is of the opinion that it is not appropriate to adopt a dividend policy at this stage. There is no assurance that dividends of any amount will be declared or be distributed in any year. The Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted its own code of conduct regarding Directors' and Supervisors' dealings in the Company's securities Rules (the "**Code of Conduct**") 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 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 of directors has resolved not to declare an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB0.12 (tax inclusive) per ordinary share).

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 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 2022 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 2022

As at the date of this announcement, the Board comprises Mr. Sun Lianqing and Mr. Xu Songqiang as executive Directors; Mr. Xu Jiong, 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*