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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Oil And Gas Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**(1) MAJOR TRANSACTION IN RELATION TO ACQUISITION  
AND FURTHER ACQUISITION OF  
THE ISSUED SHARE CAPITAL OF  
THE TARGET COMPANY;  
(2) RE-ELECTION OF DIRECTORS  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**Financial Adviser to the Company**



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Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 33 of this circular.

A notice convening the special general meeting of the Company (the “SGM”) to be held at Suite 1518, Xinhai International Business Centre, No. 9 Qianshan Road, Xiangzhou District, Zhuhai City, Guangdong Province, China on Wednesday, 27 October 2021 at 10:30 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

**Precautionary measures and special arrangements for the SGM**

Considering the outbreak of the coronavirus (“COVID-19”), certain measures will be implemented at the SGM venue with a view to addressing the risk to attendees of infection, including, without limitation, (i) all attendees being required to wear face masks prior to admission to the SGM venue and throughout the SGM; and (ii) no provision of refreshments, refreshment packs, drinks and corporate gifts. The Company reminds attendees that they should carefully consider the risks of attending the physical SGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights; and strongly recommends that shareholders appoint the Chairman of the SGM as their proxy and submit their form of proxy by the time specified above or participate in the SGM using the online platform. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the SGM (if any).

References to times and dates in this circular are to Hong Kong times and dates.

11 October 2021

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“Acquisition”	the acquisition of a total of 47,675,503 shares of the Target Company by China Oil and Gas Investment pursuant to the Share Transfer Agreements
“Announcements”	the announcements made by the Company on 15 July 2021 and 10 August 2021
“Board”	the board of Directors of the Company
“Bye-Laws”	the bye-laws of the Company (as amended from time to time)
“CAGR”	compound average growth rate
“Company”	China Oil and Gas Group Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange (stock code: 603)
“connected person(s)”	has the meaning ascribed in the Listing Rules
“China Oil and Gas Investment” or “Purchaser”	China Oil and Gas Investment Group Co., Ltd.* (中油燃氣投資集團有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Further Acquisition”	the acquisition of a total of 103,624,719 shares of the Target Company by China Oil and Gas Investment pursuant to the Further Share Transfer Agreements
“Further Share Transfer Agreements”	Share Transfer Agreement III, Share Transfer Agreement IV and Share Transfer Agreement V
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	7 October 2021, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“SGM”	a special general meeting of Shareholders scheduled to be held on Wednesday, 27 October 2021 for the purpose of considering, and if thought fit, approving, among other things, the Further Acquisition and the re-election of Directors
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Transfer Agreements”	Share Transfer Agreement I and Share Transfer Agreement II
“Share Transfer Agreement I”	the share transfer agreement entered into between China Oil and Gas Investment and Vendor I on 15 July 2021 in relation to the acquisition of a total of 41,074,629 shares of the Target Company at RMB5.23 per share

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## DEFINITIONS

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“Share Transfer Agreement II”	the share transfer agreement entered into between China Oil and Gas Investment and Vendor II on 15 July 2021 in relation to the acquisition of a total of 6,600,874 shares of the Target Company at RMB4.80 per share
“Share Transfer Agreement III”	the share transfer agreement entered into between China Oil and Gas Investment and Vendor III on 10 August 2021 in relation to the acquisition of a total of 61,500,000 shares of the Target Company at RMB5.23 per share
“Share Transfer Agreement IV”	the share transfer agreement entered into between China Oil and Gas Investment and Vendor IV on 10 August 2021 in relation to the acquisition of a total of 27,023,600 shares of the Target Company at RMB5.23 per share
“Share Transfer Agreement V”	the share transfer agreement entered into between China Oil and Gas Investment and Vendor V on 10 August 2021 in relation to the acquisition of a total of 15,101,119 shares of the Target Company at RMB5.23 per share
“Shareholder(s)”	holder(s) of the ordinary share(s) of a nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shandong Shengli Co., Ltd. (山東勝利股份有限公司), a company limited by shares established in the PRC whose issued shares are listed and traded on the main board of the Shenzhen Stock Exchange (stock code: 000407)
“Target Group”	the Target Company and its subsidiaries
“US\$”	United States dollar, the lawful currency of the United States of America
“Vendor I”	Vendor IA & Vendor IB

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## DEFINITIONS

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“Vendor IA”	Jining Qilu Testing Technology Co., Ltd.* (濟寧齊魯檢測技術有限公司), a limited liability company established in the PRC
“Vendor IB”	Shandong Nova Bio-engineering Co., Ltd.* (山東諾華生物工程有限公同), a limited liability company established in the PRC
“Vendor II”	Mr. Wang An* (王安先生)
“Vendor III”	Shandong Shengli Investment Co., Ltd.* (山東勝利投資股份有限公司), a limited liability company established in the PRC
“Vendor IV”	Mr. Sun Guanjie* (孫冠杰先生)
“Vendor V”	Mr. Yan Changyong* (閻長勇先生)
“working day”	a day other than Saturday, Sunday and statutory holiday in the PRC, on which commercial banks in the PRC are open for normal business
“%”	percentage

\* In this circular, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

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LETTER FROM THE BOARD

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中油燃氣集團有限公司\*

CHINA OIL AND GAS GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 603)

*Executive Directors:*

Mr. XU Tie-liang

(Chairman and Chief Executive Officer)

Ms. GUAN Yijun

Mr. GAO Falian

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent Non-Executive Directors:*

Mr. WANG Wenhua

Mr. WANG Guangtian

Mr. YANG Jie

*Head Office and Principal Place of Business  
in Hong Kong:*

Suite 2805, 28th Floor

Sino Plaza

255–257 Gloucester Road

Causeway Bay

Hong Kong

11 October 2021

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION IN RELATION TO ACQUISITION  
AND FURTHER ACQUISITION OF  
THE ISSUED SHARE CAPITAL OF  
THE TARGET COMPANY  
AND  
RE-ELECTION OF DIRECTORS**

**INTRODUCTION**

Reference is made to the Announcements in relation to, among other matters, the Acquisition and the Further Acquisition.

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## LETTER FROM THE BOARD

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The Acquisition and Further Acquisition involved the Group's acquisition of economic interest in 17.19% of the existing issued shares of the Target Company through the Share Transfer Agreements and the Further Share Transfer Agreements.

The Target Company will become an associate of the Group. Accordingly, the financial results of the Target Group will not be consolidated in the financial statements of the Group and will be accounted for using the equity method of accounting.

The purpose of this circular is to provide you with, among others, (i) further details of the Acquisition and Further Acquisition; (ii) the financial information of the Group; (iii) the financial information of the Target Company; (iv) unaudited pro forma financial information of the Group following the Acquisition and the Further Acquisition, (v) other information as required under the Listing Rules and (vi) a notice of the SGM together with the proxy form.

Details of the Share Transfer Agreements and the Further Share Transfer Agreements are set out below.

### SHARE TRANSFER AGREEMENT I

#### Date

15 July 2021

#### Parties

- (i) China Oil and Gas Investment (as the Purchaser); and
- (ii) Jining Qilu Testing Technology Co., Ltd.\* (濟寧齊魯檢測技術有限公司) (as the Vendor IA) and Shandong Nova Bio-engineering Co., Ltd.\* (山東諾華生物工程股份有限公司) (as the Vendor IB) (collectively referred to as the Vendor I)

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Vendor IA and Vendor IB and their respective ultimate beneficial owner are independent of the Company and its connected persons.

#### Assets to be acquired

The Vendor IA conditionally agreed to sell, and China Oil and Gas Investment conditionally agreed to acquire, 21,410,639 shares of the Target Company, representing an approximately 2.43% of the issued shares of the Target Company as at the date of the Share Transfer Agreement I. The Vendor



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## LETTER FROM THE BOARD

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IB conditionally agreed to sell and China Oil and Gas Investment conditionally agreed to acquire, 19,663,990 shares of the Target Company, representing an approximately 2.23% of the issued shares of the Target Company as at the date of the Share Transfer Agreement I.

### **Consideration and basis of consideration**

The consideration per share payable by China Oil and Gas Investment for the shares of the Target Company under the Share Transfer Agreement I was RMB5.23 and the aggregate consideration payable under the Share Transfer Agreement I was RMB214,820,309.67.

The consideration under the Share Transfer Agreement I was determined with reference to, among others, (i) the prevailing stock price of the Target Company, (ii) the business operation, financial condition and prospect of the Target Company, and (iii) the reasons as explained in the paragraph headed “Reasons for and benefits of the Acquisition and the Further Acquisition”, which was arrived at after arm’s length negotiation between the parties.

The consideration of RMB5.23 per share of the Target Company under the Share Transfer Agreement I represents:

- (i) a premium of approximately 27.25% over the closing price of RMB4.11 per share of the Target Company as quoted on the Shenzhen Stock Exchange on 14 July 2021 (being the last trading day prior to the date of the Share Transfer Agreement I);
- (ii) a premium of approximately 28.82% to the average closing price of RMB4.06 per share of the Target Company as quoted on the Shenzhen Stock Exchange for five consecutive trading days up to and including 14 July 2021; and
- (iii) a premium of approximately 2.95% over the average closing price of RMB5.08 per share of the Target Company as quoted on the Shenzhen Stock Exchange for the five consecutive trading days up to and including the Latest Practicable Date.

The consideration under the Share Transfer Agreement I was funded by internal resources of the Group and bank loan.

### **Payment of consideration and conditions precedent to payment of consideration**

Payment of the consideration under the Share Transfer Agreement I was conditional upon and subject to the fulfillment of the following conditions:

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## LETTER FROM THE BOARD

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- (i) 10% of the consideration under the Share Transfer Agreement I shall be paid within 5 working days from the effective date of the Share Transfer Agreements;
- (ii) 20% of the consideration under the Share Transfer Agreement I shall be paid within 5 working days from the date when the Shenzhen Stock Exchange issued a confirmation or an equivalent document on the Acquisition; and
- (iii) 70% of the consideration under the Share Transfer Agreement I shall be paid within 5 working days from the date when all the relevant shares of the Target Company under the Share Transfer Agreement I are transferred to the name of the Purchaser.

### **Completion and conditions precedent to completion**

Completion of the transfer of the shares of the Target Company under the Share Transfer Agreement I is subject to the satisfaction and/or waiver (as the case may be) of the following conditions precedents:

- (i) the respective representative of China Oil and Gas Investment and the Vendor I have duly executed the Share Transfer Agreement I with their respective stamps; and
- (ii) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Share Transfer Agreement I and the transactions contemplated thereby having been obtained by the respective parties to the Share Transfer Agreement I (including but not limited to, the necessary consent from the Stock Exchange).

As at the Latest Practicable Date, all the conditions precedent to the Share Transfer Agreement I have been fulfilled and the acquisition of the shares of the Target Company under the Share Transfer Agreement I has been completed.

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## LETTER FROM THE BOARD

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### SHARE TRANSFER AGREEMENT II

#### Date

15 July 2021

#### Parties

- (i) China Oil and Gas Investment (as the Purchaser); and
- (ii) Mr. Wang An\* (王安先生) (as the Vendor II)

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Vendor II is independent of the Company and its connected persons.

#### Assets to be acquired

The Vendor II conditionally agreed to sell, and China Oil and Gas Investment conditionally agreed to acquire, 6,600,874 shares of the Target Company, representing an approximately 0.75% of the issued shares of the Target Company as at the date of the Share Transfer Agreement II.

#### Consideration and basis of consideration

The consideration per share payable by China Oil and Gas Investment for the shares of the Target Company under the Share Transfer Agreement II was RMB4.80 and the aggregate consideration payable under the Share Transfer Agreement II was RMB31,684,195.20.

The consideration under the Share Transfer Agreement II was determined with reference to, among others, (i) the prevailing stock price of the Target Company, (ii) the business operation, financial condition and prospect of the Target Company, and (iii) the reasons as explained in the paragraph headed "Reasons for and benefits of the Acquisition and the Further Acquisition", which was arrived at after arm's length negotiation between the parties.

The consideration of RMB4.80 per share of the Target Company under the Share Transfer Agreement II represents:

- (i) a premium of approximately 16.79% over the closing price of RMB4.11 per share of the Target Company as quoted on the Shenzhen Stock Exchange on 14 July 2021 (being the last trading day prior to the date of the Share Transfer Agreement II);

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## LETTER FROM THE BOARD

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- (ii) a premium of approximately 18.23% over the average closing price of RMB4.06 per share of the Target Company as quoted on the Shenzhen Stock Exchange for five consecutive trading days up to and including 14 July 2021; and
- (iii) a discount of approximately 5.51% over the average closing price of RMB5.08 per share of the Target Company as quoted on the Shenzhen Stock Exchange for the five consecutive trading days up to and including the Latest Practicable Date.

The consideration under the Share Transfer Agreement II was funded by internal resources of the Group and bank loan.

### **Payment of consideration and conditions precedent to payment of consideration**

Payment of the consideration under the Share Transfer Agreement II was conditional upon and subject to the fulfillment of the following conditions:

- (i) 10% of the consideration under the Share Transfer Agreement II shall be paid within 5 working days from the effective date of the Share Transfer Agreements;
- (ii) 20% of the consideration under the Share Transfer Agreement II shall be paid within 5 working days from the date when the Shenzhen Stock Exchange issued a confirmation or an equivalent document on the Acquisition; and
- (iii) 70% of the consideration under the Share Transfer Agreement II shall be paid within 5 working days from the date when all the relevant shares of the Target Company under the Share Transfer Agreement II are transferred to the name of the Purchaser.

### **Completion and conditions precedent to completion**

Completion of the transfer of the shares of the Target Company under the Share Transfer Agreement II is subject to the satisfaction and/or waiver (as the case may be) of the following conditions precedents:

- (i) the respective representative of China Oil and Gas Investment and the Vendor II have duly executed the Share Transfer Agreement II with their respective stamps;

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## LETTER FROM THE BOARD

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- (ii) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Share Transfer Agreement II and the transactions contemplated thereby having been obtained by the respective parties to the Share Transfer Agreement II (including but not limited to, the necessary consent from the Stock Exchange).

As at the Latest Practicable Date, all the conditions precedent to the Share Transfer Agreement II have been fulfilled and the acquisition of the shares of the Target Company under the Share Transfer Agreement II has been completed.

### **SHARE TRANSFER AGREEMENT III**

#### **Date**

10 August 2021

#### **Parties**

- (i) China Oil and Gas Investment (as the Purchaser)
- (ii) Shandong Shengli Investment Co., Ltd.\* (山東勝利投資股份有限公司) (as the Vendor III)

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Vendor III is independent of the Company and its connected persons.

#### **Assets to be acquired**

The Vendor III conditionally agreed to sell, and China Oil and Gas Investment conditionally agreed to acquire, 61,500,000 shares of the Target Company, representing an approximately 6.99% of the issued shares of the Target Company as at the date of the Share Transfer Agreement III.

#### **Consideration and basis of consideration**

The consideration per share payable by China Oil and Gas Investment for the shares of the Target Company under the Share Transfer Agreement III was RMB5.23 and the aggregate consideration payable under the Share Transfer Agreement III was RMB321,645,000.

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## LETTER FROM THE BOARD

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The consideration under the Share Transfer Agreement III was determined with reference to, among others, (i) the prevailing stock price of the Target Company, (ii) the business operation, financial condition and prospect of the Target Company, and (iii) the reasons as explained in the paragraph headed “Reasons for and benefits of the Acquisitions and the Further Acquisition”, which was arrived at after arm’s length negotiation between the parties.

The consideration of RMB5.23 per share of the Target Company under the Share Transfer Agreement III represents:

- (i) a premium of approximately 27.3% over the closing price of RMB4.11 per share of the Target Company as quoted on the Shenzhen Stock Exchange on 9 August 2021 (being the last trading day prior to the date of the Further Share Transfer Agreements); and
- (ii) a premium of approximately 30.42% over the average closing price of RMB4.01 per share of the Target Company as quoted on the Shenzhen Stock Exchange for five consecutive trading days up to and including 9 August 2021; and
- (iii) a premium of approximately 2.95% over the average closing price of RMB5.08 per share of the Target Company as quoted on the Shenzhen Stock Exchange for the five consecutive trading days up to and including the Latest Practicable Date.

The consideration under the Share Transfer Agreement III will be funded by internal resources of the Group and bank loan.

### **Payment of consideration and conditions precedent to payment of consideration**

Pursuant to the Share Transfer Agreement III, within 3 days from the entering into of the Share Transfer Agreement III, which took effect on the same day, the parties shall open a joint account in the name of the Vendor III with the commercial bank designated by China Oil and Gas Investment.

Payment of the consideration under the Share Transfer Agreement III will be conditional upon and subject to the fulfillment of the following conditions:

- (i) 10% of the consideration under the Share Transfer Agreement III shall be paid within 5 working days from the setup of the said joint account;
- (ii) 20% of the consideration under the Share Transfer Agreement III shall be paid within 5 working days from the date when the Shenzhen Stock Exchange issued a confirmation or an equivalent document on the Further Acquisition;

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## LETTER FROM THE BOARD

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- (iii) 30% of the consideration under the Share Transfer Agreement III shall be paid within 5 working days from the date when all the relevant shares of the Target Company under the Share Transfer Agreement III are transferred to the name of the Purchaser; and
- (iv) 40% of the consideration under the Share Transfer Agreement III shall be paid within 5 working days from the date when Vendor III has coordinated with China Oil and Gas Investment to appoint China Oil and Gas Investment's nominees to the board of the Target Company and facilitate China Oil and Gas Investment to appoint its nominees to the administration of the Target Company.

### **Completion and conditions precedent to completion**

Completion of the transfer of the shares of the Target Company under the Share Transfer Agreement III is subject to the satisfaction and/or waiver (as the case may be) of the following conditions precedent:

- (i) the respective representative of China Oil and Gas Investment and the Vendor III have duly executed the Share Transfer Agreement III with their respective stamps;
- (ii) the Share Transfer Agreement III and the transactions contemplated thereunder having been approved by the Shareholders at the SGM; and
- (iii) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Share Transfer Agreement III and the transactions contemplated thereby having been obtained by the respective parties to the Share Transfer Agreement III (including but not limited to, the necessary consent from the Stock Exchange).

As at the Latest Practicable Date, condition (i) above has been fulfilled. It is expected that conditions (ii) and (iii) above will be fulfilled within two months from the Latest Practicable Date.

### **Other Arrangements**

Vendor III has executed a voting trust authorizing China Oil and Gas Investment to have its voting right of 26,386,314 shares of the Target Company held by Vendor III, representing an approximate 3.00% of the existing issued shares of the Target Company, until Vendor III has ceased to have any voting rights of the Target Company. Inclusive of the voting rights authorized by Vendor III to China Oil and Gas Investment by the said voting trust, China Oil and Gas Investment shall have an additional voting right of 87,886,314 shares of the Target Company, representing an approximate 9.99% of the existing issued shares of the Target Company.

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## LETTER FROM THE BOARD

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### SHARE TRANSFER AGREEMENT IV

#### Date

10 August 2021

#### Parties

- (i) China Oil and Gas Investment (as the Purchaser)
- (ii) Mr. Sun Guanjie\* (孫冠杰先生) (as the Vendor IV)

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor IV is independent of the Company and its connected persons.

#### Assets to be acquired

The Vendor IV conditionally agreed to sell, and China Oil and Gas Investment conditionally agreed to acquire, 27,023,600 shares of the Target Company, representing an approximately 3.07% of the issued shares of the Target Company as at the date of the Share Transfer Agreement IV.

#### Consideration and basis of consideration

The consideration per share payable by China Oil and Gas Investment for the shares of the Target Company under the Share Transfer Agreement IV was RMB5.23 and the aggregate consideration payable under the Share Transfer Agreement IV was RMB141,333,428.

The consideration under the Share Transfer Agreement IV was determined with reference to, among others, (i) the prevailing stock price of the Target Company, (ii) the business operation, financial condition and prospect of the Target Company, and (iii) the reasons as explained in the paragraph headed "Reasons for and benefits of the Acquisition and the Further Acquisition", which was arrived at after arm's length negotiation between the parties.



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## LETTER FROM THE BOARD

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The consideration of RMB5.23 per share of the Target Company under the Share Transfer Agreement IV represents:

- (i) a premium of approximately 27.25% over the closing price of RMB4.11 per share of the Target Company as quoted on the Shenzhen Stock Exchange on 9 August 2021 (being the last trading day prior to the date of the Further Share Transfer Agreements); and
- (ii) a premium of approximately 30.42% over the average closing price of RMB4.01 per the shares of the Target Company as quoted on the Shenzhen Stock Exchange for five consecutive trading days up to and including 9 August 2021; and
- (iii) a premium of approximately 2.95% over the average closing price of RMB5.08 per share of the Target Company as quoted on the Shenzhen Stock Exchange for the five consecutive trading days up to and including the Latest Practicable Date.

The consideration under the Share Transfer Agreement IV will be funded by internal resources of the Group and bank loan.

### **Payment of consideration and conditions precedent to payment of consideration**

Pursuant to the Share Transfer Agreement IV, within 3 days from the entering into of the Share Transfer Agreement IV, which took effect on the same day, the parties shall open a joint account in the name of Vendor IV with the commercial bank designated by China Oil and Gas Investment.

Payment of the consideration under the Share Transfer Agreement IV will be conditional upon and subject to the fulfillment of the following conditions:

- (i) 10% of the consideration under the Share Transfer Agreement IV shall be paid within 5 working days from the setup of the said joint account;
- (ii) 20% of the consideration under the Share Transfer Agreement IV shall be paid within 5 working days from the date when Vendor IV executes the share pledge agreement, pursuant to which Vendor IV shall pledge 27,023,600 shares of the Target Company held by Vendor IV to secure the Purchaser's acquisition under Share Transfer Agreement IV; and

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## LETTER FROM THE BOARD

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- (iii) 70% of the consideration under the Share Transfer Agreement IV shall be paid within 5 working days from the date when (a) all the relevant shares of the Target Company under the Share Transfer Agreement IV are transferred to the name of the Purchaser; and (b) finished the reappointment of the board of directors and senior management of the Target Company, if any, whichever is earlier.

### **Completion and conditions precedent to completion**

Completion of the transfer of the shares of the Target Company under the Share Transfer Agreement IV is subject to the satisfaction and/or waiver (as the case may be) of the following conditions precedent:

- (i) the respective representative of China Oil and Gas Investment and the Vendor IV have duly executed the Share Transfer Agreement IV with their respective stamps;
- (ii) the Share Transfer Agreement IV and the transactions contemplated thereunder having been approved by the Shareholders at the SGM; and
- (iii) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Share Transfer Agreement IV and the transactions contemplated thereby having been obtained by the respective parties to the Share Transfer Agreement IV (including but not limited to, the necessary consent from the Stock Exchange).

As at the Latest Practicable Date, condition (i) above has been fulfilled. It is expected that conditions (ii) and (iii) above will be fulfilled within two months from the Latest Practicable Date.

### **SHARE TRANSFER AGREEMENT V**

#### **Date**

10 August 2021

#### **Parties**

- (i) China Oil and Gas Investment (as the Purchaser)
- (ii) Mr. Yan Changyong\* (閆長勇先生) (as the Vendor V)

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor V is independent of the Company and its connected persons.

### **Assets to be acquired**

The Vendor V conditionally agreed to sell, and China Oil and Gas Investment conditionally agreed to acquire, 15,101,119 shares of the Target Company, representing an approximately 1.72% of the issued shares of the Target Company as at the date of the Share Transfer Agreement V.

### **Consideration and basis of consideration**

The consideration per share payable by China Oil and Gas Investment for the shares of the Target Company was RMB5.23 and the aggregate consideration payable under the Share Transfer Agreement V was RMB78,978,852.37.

The consideration under the Share Transfer Agreement V was determined with reference to, among others, (i) the prevailing stock price of the Target Company, (ii) the business operation, financial condition and prospect of the Target Company, and (iii) the reasons as explained in the paragraph headed "Reasons for and benefits of the Acquisition and the Further Acquisition", which was arrived at after arm's length negotiation between the parties.

The consideration of RMB5.23 per share of the Target Company under the Share Transfer Agreement V represents:

- (i) a premium of approximately 27.25% over the closing price of RMB4.11 per share of the Target Company as quoted on the Shenzhen Stock Exchange on 9 August 2021 (being the last trading day prior to the date of the Further Share Transfer Agreements);
- (ii) a premium of approximately 30.42% over the average closing price of RMB4.01 per shares of the Target Company as quoted on the Shenzhen Stock Exchange for five consecutive trading days up to and including 9 August 2021; and
- (iii) a premium of approximately 2.95% over the average closing price of RMB5.08 per share of the Target Company as quoted on the Shenzhen Stock Exchange for the five consecutive trading days up to and including the Latest Practicable Date.

The consideration under the Share Transfer Agreement V will be funded by internal resources of the Group and bank loan.

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## LETTER FROM THE BOARD

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### **Payment of consideration and conditions precedent to payment of consideration**

Pursuant to the Share Transfer Agreement V, within 3 days from the entering into of the Share Transfer Agreement V, which took effect on the same day, the parties shall open a joint account in the name of Vendor V with the commercial bank designated by China Oil and Gas Investment:

Payment of the consideration under the Share Transfer Agreement V will be conditional upon and subject to the fulfillment of the following conditions:

- (i) 10% of the consideration under the Share Transfer Agreement V shall be paid within 5 working days from the setup of the said joint account;
- (ii) 20% of the consideration under the Share Transfer Agreement V shall be paid within 5 working days from the date when Vendor V executes the share pledge agreement, pursuant to which Vendor V shall pledge 15,101,119 shares of the Target Company held by Vendor V to secure the Purchaser's acquisition under Share Transfer Agreement V; and
- (iii) 70% of the consideration under the Share Transfer Agreement V shall be paid within 5 working days from the date when (a) all the relevant shares of the Target Company under the Share Transfer Agreement V are transferred to the name of the Purchaser; and (b) finished the reappointment of the board of directors and senior management of the Target Company, if any, whichever is earlier.

### **Completion and conditions precedent to completion**

Completion of the transfer of the shares of the Target Company under the Share Transfer Agreement V is subject to the satisfaction and/or waiver (as the case may be) of the following conditions precedent:

- (i) the respective representative of China Oil and Gas Investment and the Vendor V have duly executed the Share Transfer Agreement V with their respective stamps;
- (ii) the Share Transfer Agreement V and the transactions contemplated thereunder having been approved by the Shareholders at the SGM; and

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## LETTER FROM THE BOARD

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(iii) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Share Transfer Agreement V and the transactions contemplated thereby having been obtained by the respective parties to the Share Transfer Agreement V (including but not limited to, the necessary consent from the Stock Exchange).

As at the Latest Practicable Date, condition (i) above has been fulfilled. It is expected that conditions (ii) and (iii) above will be fulfilled within two months from the Latest Practicable Date.

### INFORMATION ON THE TARGET COMPANY

#### Background information of the Target Company

The Target Company is a company limited by shares established in the PRC, and its issued shares are listed and traded on the main board of the Shenzhen Stock Exchange in accordance with the regulations (stock code: 000407.SZ). As at the date of this circular, the total number of issued shares of the Target Company is 880,084,656 shares. The principal business of the Target Company is the business promotion and application of clean energy natural gas. The main products of the Target Company are natural gas terminal sales, natural gas trading, pipeline manufacturing, and oil products trading.

#### Financial information of the Target Company

The financial results of the Target Company as extracted from the annual report of the Target Company for the two financial years ended 31 December 2020 and for the six months ended 30 June 2021 are as follows:

	For the year ended 31 December			For the six months ended
	2018	2019	2020	30 June
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(audited)	(audited)	(audited)	(unaudited)
Revenue	4,675,800	5,348,283	4,596,361	2,046,594
Profit before taxation	236,684	288,082	297,553	278,069
Profit for the year	181,890	203,954	215,636	176,750
Total assets	6,427,027	6,509,314	6,752,490	6,728,344

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## LETTER FROM THE BOARD

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Based on the annual report of the Target Company for the year ended 31 December 2020, as at 31 December 2020, the Target Company had total assets, total liabilities and net assets of approximately RMB6,752.5 million, RMB3,851.1 million and RMB2,901.4 million respectively.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE FURTHER ACQUISITION**

The principal activity of the Company is investment holding. The Group is principally engaged in investment in natural gas and energy related business. Operations of the Group include piped city gas business, pipeline design and construction; transportation, distribution and sale of compressed natural gas (“CNG”) and liquefied natural gas (“LNG”); and development, production and sale of crude oil and natural gas and other upstream energy resources.

The Directors are of the view that the Further Acquisition will facilitate the Group’s investment in the clean energy business in the PRC. The Target Company has extensive business resources in the natural gas field. The Group intends to further enhance the cooperation with the Target Company to promote the sustainable and high-quality development of the Group, and is in the interests of the Company and its shareholders as a whole.

During the review of the financial performance of the Target Group, the Company finds that the Target Group has demonstrated satisfactory growth in its operating performance. The net income attributable to shareholders of the Target Company increased at a CAGR of approximately 31.7% from approximately RMB62.3 million for the year ended 31 December 2017 to approximately RMB142.3 million for the year ended 31 December 2020. The net profit margin of the Target Company increased from approximately 3.21% for the year ended 31 December 2017 to approximately 4.69% for the year ended 31 December 2020. Furthermore, the Company considers that it will be able to generate returns from dividends paid by Target Company in addition to the potential returns from its operational growth. The Target Company has declared annual dividends for the past two financial years, which amounted to RMB0.35 per 10 shares of the Target Company for the year ended 31 December 2019 and RMB0.2 per 10 shares of the Target Company for the year ended 31 December 2020.

In addition, during the negotiations with the vendors of the Share Transfer Agreements and the Further Share Transfer Agreements, they had expressed that they could coordinate with the Company to appoint the Company’s nominees to the board of the Target Company and to facilitate the Company to appoint its nominees to the administration of the Target Company. The Vendor III would also execute a voting trust authorising the Company to exercise the addition voting rights of the Target Company held by it.

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## LETTER FROM THE BOARD

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The Company is of the view that, rather than the short-term gain in the price increment of the shares of the Target Company, it would provide longer-term benefits to the Shareholders if the Company can establish a long-term partnership and create synergies with the Target Company.

Considering that the acquisition of the shares of the Target Company on the open market does not guarantee that the share price will not be driven up under the existing thin trading volume, the Company also could not participate in the operations of the Target Company from such acquisition. Therefore, although the consideration under the Further Share Transfer Agreements represents a premium over the recent market price of the shares of the Target Company, the Company considers that it is fair and reasonable and is in the interests of the Company and the Shareholders.

Based on the foregoing, the Directors consider that the terms of the Further Acquisition are fair and reasonable, on normal commercial terms and the Further Acquisition is in the interests of the Company and the Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE ACQUISITION AND THE FURTHER ACQUISITION**

Upon the completion of the Acquisition and the Further Acquisition, the Company will, through the Purchaser, hold approximately 17.19% equity interest in the Target Company at a total consideration of RMB788,461,785.24 and the Target Company will become an associate of the Group. The financial results of the Target Group will not be consolidated in the financial statements of the Group and will be accounted for using the equity method of accounting.

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Group following the Acquisition and the Further Acquisition as set out in Appendix IV to this circular, as for assets and liabilities of the Group, the net assets will decrease by approximately RMB2.2 million while cash and cash equivalent will decrease by approximately RMB948.4 million upon the completion of the Acquisition and the Further Acquisition. The Acquisition and the Further Acquisition would not result in any change in total liabilities of the Group. There will be no effect on earnings upon the completion of the Acquisition and the Further Acquisition.

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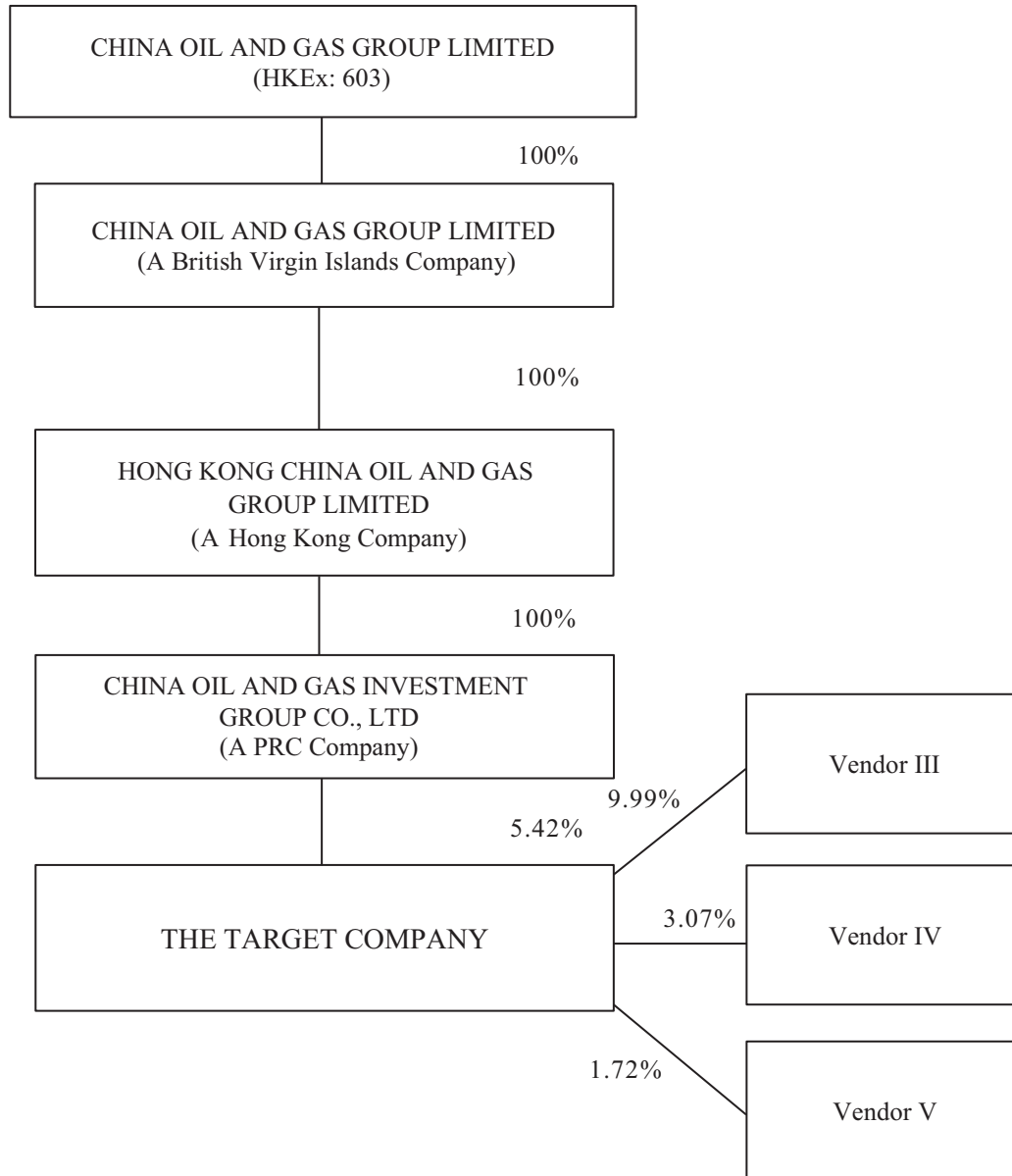
## LETTER FROM THE BOARD

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### DIAGRAM OF THE TRANSACTIONS CONTEMPLATED UNDER THE ACQUISITION

The following simplified diagram illustrates the transactions contemplated under the Acquisition and the Further Acquisition:

#### Prior to the entering into of the Further Share Transfer Agreements:



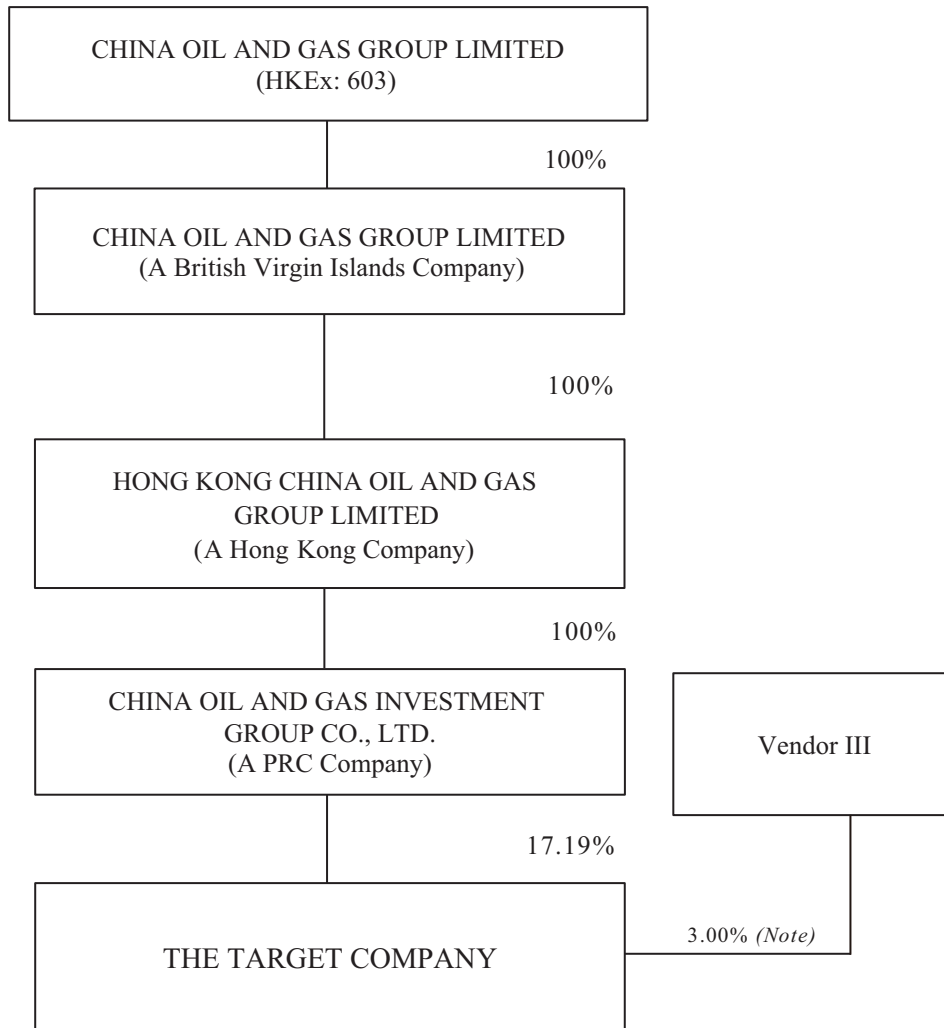


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## LETTER FROM THE BOARD

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### Immediately upon the completion of the Further Acquisition:



*Note:* Vendor III has executed a voting trust authorizing China Oil and Gas Investment to have its voting right of 26,386,314 shares of the Target Company held by Vendor III, representing an approximate 3.00% of the existing issued shares of the Target Company.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP AND OTHER PARTIES TO THE ACQUISITION AND THE FURTHER ACQUISITION

#### The Group

The Company is a company incorporated in Bermuda with limited liability, and the shares of which are listed on the main board of the Stock Exchange (stock code: 603). The Group is principally engaged in the investment in natural gas and energy related business. Operations of the Group include piped city gas business, pipeline design and construction; transportation, distribution and sale of CNG and LNG; and development, production and sale of crude oil and gas and other upstream energy resources.

#### The Target Company

Shandong Shengli Co., Ltd., is a company limited by shares established in the PRC, and its issued shares are listed and traded on the main board of the Shenzhen Stock Exchange in accordance with the regulations (stock code: 000407). As at the Latest Practicable Date, the total number of issued shares of the Target Company is 880,084,656 shares. The principal business of the Target Company is the business promotion and application of clean energy natural gas. The main products of the Target Company are natural gas terminal sales, natural gas trading, pipeline manufacturing, and oil products trading.

#### Vendor IA

Jining Qilu Testing Technology Co., Ltd.\* (濟寧齊魯檢測技術有限公司) is a company limited by shares established in the PRC. The principal business of the Vendor IA is to provide customers with professional and accurate analysis and testing services for tires and other rubber products, metal materials, organic chemicals and inorganic chemicals.

The Vendor IA is owned as to 51.0% by Hixih Rubber Industry Group Company Limited\* (華勤橡膠工業集團有限公司) and 49.0% by Mr. Niu Teng\* (牛騰先生) respectively. Hixih Rubber Industry Group Company Limited\* (華勤橡膠工業集團有限公司) is owned as to 70.0% by Mr. Niu Teng\* (牛騰先生) and 30.0% by Mr. Niu Yishun\* (牛宜順先生). Mr. Niu Teng\* (牛騰先生) is the ultimate beneficial owner of Vendor IA and interested in an aggregate of 84.7% of the equity interest of Vendor IA.

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## LETTER FROM THE BOARD

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### VENDOR IB

Shandong Nova Bio-engineering Co., Ltd.\* (山東諾華生物工程有限公同) is a company limited by shares established in the PRC. The principal business of the Vendor IB is the production of chitosan and other mucopolysaccharide products, biotechnological products.

The Vendor IB is owned as to 69.29%, 29.69% and 1.02% by Mr. Niu Teng\* (牛騰先生), Mr. Niu Yishun\* (牛宜順先生) and Hixih Rubber Industry Group Company Limited\* (華勤橡膠工業集團有限公司) respectively. Hixih Rubber Industry Group Company Limited\* (華勤橡膠工業集團有限公司) is owned as to 70.0% by Mr. Niu Teng\* (牛騰先生) and 30.0% by Mr. Niu Yishun\* (牛宜順先生). Mr. Niu Teng\* (牛騰先生) is the ultimate beneficial owner of Vendor IB and interested in an aggregate of 70.0% of the equity interest of Vendor IB.

### VENDOR II

Mr. Wang An\* (王安先生) is a Chinese Citizen.

### VENDOR III

Shandong Shengli Investment Co., Ltd.\* (山東勝利投資股份有限公司) is a limited company incorporated in the PRC and is principally engaged in laboratory inspection and testing. Vendor III is owned by 43 shareholders and none of the shareholders holds more than 5% of the issued shares of Vendor III.

### VENDOR IV

Mr. Sun Guanjie\* (孫冠杰先生) is a Chinese Citizen.

### VENDOR V

Mr. Yan Changyong\* (閆長勇先生) is a Chinese Citizen.

### LISTING RULES IMPLICATIONS

By virtue of Rule 14.22 of the Listing Rules, the Acquisition and the Further Acquisition are aggregated for the purpose of Chapter 14 of the Listing Rules are those transactions involve the acquisition of the equity interest in the same entity (that is the Target Company) completed within 12 months.

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## LETTER FROM THE BOARD

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As the applicable percentage ratios in respect of the Acquisition and the Further Acquisition exceed 25% but less than 75%, the Further Acquisition constitutes a major transaction of the Company, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES**

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, this circular must contain, among others, an accountants' report on the Target Company in accordance with Chapter 4 of the Listing Rules.

Pursuant to Rule 14.67(7) of the Listing Rules, the Company is also required to include in this circular a discussion and analysis of results of the Target Company covering all those matters set out in paragraph 32 of Appendix 16 to the Listing Rules for the period reported in the accountants' report must be contained.

### **Waiver Sought**

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) and Rule 14.67(7) on the following grounds:

1. The Acquisition and the Further Acquisition were transaction between the Purchaser and the vendors. The Target Company was not obliged to assist the Company to prepare an accountants' report on it for the Acquisition and the Further Acquisition.

Neither the Company nor any of the vendors had access to the Target Company's books and records to prepare an accountants' report on it in accordance with the Listing Rules.

In addition, the Company had requested the Target Company to assist in the preparation of the accountants' report but it had declined;

2. The aggregate 151,300,222 shares of the Target Company Shares which have been acquired by the Purchaser in the Acquisition and the Further Acquisition represented only approximately 17.19% of the entire issued share capital of the Target Company as at the date of the Further Share Transfer Agreements. As such, the Target Company will not become a subsidiary of the Company and the financial results of the Target Company will not be consolidated in the financial statements of the Group. With only a minority shareholding in the Target Company, the shares acquired by the Company under the Acquisition and the Further Acquisition, will be accounted for by the Company only as associated company;

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## LETTER FROM THE BOARD

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3. The Company discussed with PricewaterhouseCoopers (the “**Auditors**”), the auditors of the Company, in relation to the preparation of the accountants’ report of the Target Company in accordance with Chapter 4 of the Listing Rules (the “**Target Accountant’s Report**”). The Company considers that it will be unduly burdensome, time consuming and cost inefficient to conduct the Target Accountant’s Report. Further, the Company may encounter practical difficulties during the course of the Target Accountant’s Report. As indicated by the Auditors, the timing and extent of completion for the Target Accountant’s Report will be highly dependent on provision of information from the management of the Target Group or other relevant parties in a timely manner in response to the request from the Auditors. It is noted that the Company would only hold approximately 17.19% of the total issued share capital of the Target Company upon the completion of the Further Acquisition and the Company does not have any board seat in the Target Company at as the date of this circular. The Company does not have control over the management of the Target Group. As such, there is no assurance that the Target Group would be willing to provide the requested information to the satisfaction of the Auditors for the Target Accountant’s Report. In the event that the Target Group or other relevant parties refuses to timely reply to the information request of the Auditors, the Auditors may not be able to complete the Target Accountant’s Report;
  
4. The Target Company is a company limited by shares established in the PRC whose issued shares are listed and traded on the main board of the Shenzhen Stock Exchange (stock code: 000407). The Target Company is required to publish its audited financial statements (the “**Target Audited Accounts**”), on a regular basis, for each financial year, on the websites of the Shenzhen Stock Exchange and the Target Company. As such, the Target Audited Accounts for the three (3) financial years ended 31 December 2018, 2019 and 2020 were published and made available at the websites of the Shenzhen Stock Exchange (<http://www.szse.cn/>) and of the CNINFO (巨潮資訊網), the Target Company’s designated information disclosure media ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

The said financial statements of the Target Company were audited by WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) and prepared based on the China Accounting Standards for Business Enterprises (“**CASBE**”), being accounting standards expressly recognised by the Listing Rules in the case of a PRC issuer under Rule 4.11(c) of the Listing Rules.

The Target Company would publish its unaudited interim and quarterly results (the “**Target Unaudited Results**”) on the websites of the Shenzhen Stock Exchange and the Target Company. The Target Unaudited Results were prepared based on CASBE and therefore such information is publicly available.

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## LETTER FROM THE BOARD

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None of the Target Published Annual Report for the three years ended 31 December 2020 has been issued with any audit qualifications.

Apart from the published financial information as stated above under the listing rules of the Shenzhen Stock Exchange, the Target Company was not prepared to disclose any additional financial information;

5. As advised by the Auditors, assuming that the Target Accountant's Report will be conducted in accordance with Rue 14.67(6)(a)(i) of the Listing Rules, the respective Target Accountants' Report shall be prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), the standards adopted by the Company.

Even assuming the Target Company is prepared to provide extensive access to its accounting records and provide explanations in relation to the same, it would be unduly burdensome for the Company to prepare the financial information of the Target Company based on HKFRS (if feasible) and for the Auditors to complete the audit. In addition, by converting the financial information of the Target Company from CASBE to HKFRS may not provide additional material information as compared to the audited financial information of the Target Group for the three years ended 31 December 2020 disclosed in the respective Target Audited Accounts and such re-audit and re-statement would produce no material increase in benefit to the Shareholders and potential investors of the Company;

6. the Company had engaged PKF Hong Kong Limited ("**PKF**"), the reporting accountant of the Company to the Circular, to conduct work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") on the line-by-line reconciliation set out in Appendix II to this circular;

PKF are certified public accountants who are qualified under the Professional Accountants Ordinance and are independent both of the Group and the Target Group as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the HKICPA; and

7. As stated in the reasons set out in points (1) and (4) above, the Company could not access the books and records of the Target Company and the Target Company was not prepared to disclose any additional financial information. Thus, the Company were not able to prepare the discussion and analysis of results of the Target Company for the

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## LETTER FROM THE BOARD

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incorporation into the Circular. In addition, the Company could not express any view as to the truth, accuracy or completeness on the discussion and analysis of the results of the Target Company as stated in its published information.

As such, the Company also applied to the Stock Exchange for a waiver of the requirement to prepare a management discussion and analysis of the results of the Target Company in accordance with Rule 14.67(7) of the Listing Rules.

### Alternative disclosures

In order to facilitate the Shareholders and potential investors of the Company to evaluate the Acquisition and the Further Acquisition, the Company has included the following in this circular:

1. the audited consolidated financial statements of the Target Company for the years ended 31 December 2018, 2019 and 2020 prepared in accordance with CASBE and audited by WUYIGE as extracted from the published documents of the Target Company, which are set out in Appendix II to this circular;
2. the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2021 prepared in accordance with CASBE as extracted from the published documents of the Target Company, which are set out in Appendix II to this circular;
3. a line-by-line reconciliation for the Target Group's financial information which primarily consist of (i) comparing the unadjusted financial information of Target Group for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021 (the "**Relevant Periods**") as set out in the Circular with the audited consolidated financial statements of Target Group for the Relevant Periods prepared in accordance with the Target Group's accounting policies under CASBE; (ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the adjusted financial information under the Company's accounting policies, which included examining the differences between Target Group's accounting policies under CASBE and the Company's accounting policies under HKFRS; and (iii) checking the arithmetic accuracy of the computation of the adjusted financial information under the Company's accounting policies, which are set out in Appendix II to this circular; and
4. the management discussion and analysis of the results of operations of the Target Company for the Relevant Periods as extracted from the published documents of the Target Company, which are set out in Appendix III to this circular.

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## LETTER FROM THE BOARD

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Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rules 14.67(6)(a)(i) and 14.67(7) under the Listing Rules.

### RE-ELECTION OF DIRECTORS

Mr. Gao Falian (“**Mr. Gao**”) has been appointed as an executive Director, and Mr. Wang Wenhua (“**Mr. Wang**”) has been appointed as independent non-executive Director, both with effect from 17 May 2021. Pursuant to bye-law 86(2) of the Bye-Laws, they are subject to retirement and re-election at the next general meeting of the Company after their appointment. In this regard, Mr. Gao and Mr. Wang shall retire at the SGM, and being eligible, offer themselves for re-election.

The biographical details of Mr. Gao and Mr. Wang are set out below:-

**Mr. Gao**, aged 56, was appointed as an executive Director on 17 May 2021. He is a senior engineer, obtained a bachelor’s degree in law from Peking University and a master’s degree in engineering from China University of Petroleum. Mr. Gao currently serves as a director of certain subsidiaries of the Group, including China Oil and Gas Investment and China City Natural Gas Investment Group Co., Ltd. (“**CCNG**”). He also served as president of CCNG during the period from February 2010 to August 2018 and president of China Oil and Gas Investment during the period from September 2015 to August 2018. Mr. Gao held several positions in China Petroleum Pipeline Bureau during August 1985 to May 2010, including general manager, commissioner of technical service etc. He has extensive experience in oil and gas industry.

Mr. Gao entered into a service agreement with the Company on 17 May 2021 for the appointment of Mr. Gao as an executive Director for a term of three years commencing from 17 May 2021 which can be terminated by 3 months’ notice in writing served by either party to the other. He is subject to retirement and re-election at the next general meeting of the Company after his appointment and thereafter subject to retirement by rotation and re-election at least once in every three years in accordance with the Bye-Laws and the Code on Corporate Governance (the “**CG Code**”) under Appendix 14 to the Listing Rules. Mr. Gao is entitled to a director’s remuneration of HK\$10,000 per month as determined by the Board with reference to the recommendation of the remuneration committee of the Company, the performance of the Group, his duties and responsibilities and the then prevailing market conditions.

As at the Latest Practicable Date, Mr. Gao did not hold any directorship in other listed companies during the past three years. He does not have any relationship with any Directors, senior management, substantial or controlling shareholders (as defined under the Listing Rules) of the Company. As at the Latest Practicable Date, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.



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## LETTER FROM THE BOARD

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**Mr. Wang**, aged 53, was appointed as an independent non-executive Director on 17 May 2021. He graduated from The Hong Kong Polytechnic University with a doctorate's degree in business administration in March 2017. In June 2010, Mr. Wang obtained a master's degree in business administration from Lanzhou University. He also graduated from financial accounting profession from Renmin University of China in December 1994. He awarded the Chinese certified public accountant in October 1994. Mr. Wang currently serves as the chief accountant of GEM Flower Healthcare Investment Group Co., Ltd. ("**GEM Flower Healthcare Group**") and the chairman of each of GEM Flower Healthcare Asset Investment Co., Ltd.\* (寶石花醫療資產投資有限公司) and GEM Flower International Healthcare Co., Ltd.\* (寶石花國際醫療健康有限公司), the wholly-owned subsidiaries of GEM Flower Healthcare Group and the chief accountant of Strait Energy Industry Fund Management Co., Ltd.\* (海峽能源產業基金會管理有限公司). During the period from May 2006 to August 2016, Mr. Wang was a vice president of Kunlun Energy Company Limited (a company listed on the Main Board of the Stock Exchange; stock code: 135). He was a manager of the finance department of China Petroleum Hong Kong (Holding) Limited during February 1999 to April 2006. Mr. Wang also served different positions of BGP China National Petroleum Corporation during the period from July 1988 to January 1999. He has extensive experience in the field of accounting.

Mr. Wang has signed an appointment letter issued by the Company on 17 May 2021 for an initial term of three years commencing on 17 May 2021 unless terminated by not less than one month's notice in writing served by either party to the other. He is subject to retirement and re-election at the next general meeting of the Company after his appointment and thereafter subject to retirement by rotation and re-election at least once in every three years in accordance with the Bye-Laws and the CG Code. Mr. Wang is entitled to a director's remuneration of HK\$10,000 per month, which is determined by the Board with reference to the recommendation of the remuneration committee of the Company, the performance of the Group, his duties and responsibilities and the then prevailing market conditions.

As at the Latest Practicable Date, Mr. Wang did not hold any directorship in other listed companies during the past three years. He does not have any relationship with any Directors, senior management, substantial or controlling shareholders (as defined under the Listing Rules) of the Company. As at the Latest Practicable Date, he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, neither is there any further information required to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules, nor is there any other matter relating to the re-election of Mr. Gao and Mr. Wang that needs to be brought to the attention of the Shareholders.

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## LETTER FROM THE BOARD

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### **The SGM**

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the relevant resolutions in relation to the Further Share Transfer Agreements and the transactions contemplated thereunder and the re-election of Directors. A notice convening the SGM to be held at Suite 1518, Xinhai International Business Centre, No. 9 Qianshan Road, Xiangzhou District, Zhuhai City, Guangdong Province, China on Wednesday, 27 October 2021 at 10:30 a.m. is set out on pages SGM-1 to SGM-4 of the Circular.

The voting in respect of the resolutions to be proposed at the SGM will be conducted by way of poll whereby any Shareholders and their respective close associates (as defined under the Listing Rules) who have a material interest in the Acquisition and the Further Acquisition shall abstain from voting on the resolution in relation to the Further Acquisition to be proposed at the SGM. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, no Shareholder has a material interest in the Further Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Further Acquisition at the SGM.

Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

### **CLOSURE OF REGISTER OF MEMBERS**

For determining the identity of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 21 October 2021 to Wednesday, 27 October 2021 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 October 2021.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreements and the Further Share Transfer Agreements are fair and reasonable and the Acquisition and the Further Acquisition contemplated thereunder are on normal commercial terms, which are in the interest of the Company and the Shareholders as a whole.

The SGM will be convened to approve the Further Acquisition in accordance with Chapter 14 of the Listing Rules and also the re-election of Directors, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the Further Acquisition and the re-election of Directors at the SGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board  
**China Oil And Gas Group Limited**  
**Xu Tie-liang**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 is disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.hk603.com>) and can be accessed at the website addresses below:

- Annual report of the Company for the year ended 31 December 2018 (pages 54 to 219)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltm20190425505.pdf>
- Annual report of the Company for the year ended 31 December 2019 (pages 55 to 211)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401646.pdf>
- Annual report of the Company for the year ended 31 December 2020 (pages 54 to 215)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500489.pdf>

## 2. INDEBTEDNESS STATEMENT

As at 31 August 2021, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding indebtedness as follows:

	<b>31 August 2021</b>
	<i>In HKD million</i>
Unsecured bank loans	1,290
Unsecured other borrowings	1,200
Unsecured debt securities	5,782
Lease liabilities	76
Total	<u>8,348</u>

Save as aforesaid or except for intra-group liabilities and normal trade payables, as at 31 August 2021, none of members of the Group had (a) any debt securities issued and outstanding, and authorized or otherwise created but unissued; (b) any term loans; (c) any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or other material contingent liabilities.

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**4. SUFFICIENCY OF WORKING CAPITAL**

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Group including cash flows to be generated from the operating activities and the available credit facilities, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances. The Directors confirm that requirements under Rule 14.66(12) have been complied with.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP FOLLOWING THE ACQUISITION AND THE FURTHER ACQUISITION**

China continuously deepened reform on the natural gas system and tightened control over prices in natural monopoly sectors to promote the high-quality development of the natural gas industry. The National Development and Reform Commission issued the “Measures for the administration of prices for natural gas pipeline transportation (interim)” and the “Measures for the supervision and examination of the pricing cost of natural gas pipeline transportation (interim)” to improve the mechanism for regulating natural gas prices and release the benefits of reform. Further efforts will be made to optimise the natural gas price regulating mechanism to vitalise market and promote the perfect competition between the upstream and downstream sectors.

China Oil & Gas Pipeline Network Corporation (“**PipeChina**”) has received pipeline infrastructure assets from the three state-owned oil conglomerates since its establishment. It plans to connect the provincial pipeline networks of some provinces. PipeChina operated 49,200 km of natural gas pipelines as of the end of 2020, accounting for more than 60% of the country’s total natural gas pipeline mileage. It will accelerate the construction of a nationwide oil and gas pipeline network. PipeChina plans to integrate all major domestic natural gas resources to achieve the interconnection of trunk gas transmission lines by 2025.

China aims to bring its carbon emissions to a peak before 2030 and become carbon-neutral before 2060. The transformation of energy structure is the must-go path to meet the targets. Natural gas is a realistic choice to ensure energy security, transform energy structure and realise clean energy supply. It will act as a bridge in the transformation of energy structure. In China, the proportion of urban population grew from 37.66% in 2001 to 63.89% in 2021. The 14th Five-Year Plan set a target of 65% of the urbanisation rate for the 2021–2025 period. China will continuously see rapid urbanisation in the next five years. With the development of urbanisation, the gasification rate in urban areas will go up and the gas consumption of urban households will increase in a steady manner in the future. Clean energy was used for heating in 65% of the households in northern China at the end of 2020. The figure is set to hit 70% in 2021. Clean energy will be used for heating by all urban households of key cities, by more than 80% of the households in counties and urban-rural fringes, and by 60% of the households in rural areas. Heating with natural gas has larger development space.

In the next step, the Group will consolidate its existing advantages to explore markets and gas sources, and strengthen the capacity building of gas storage and peak shaving. The Group established Chongqing Natural Gas Storage and Transportation Company Limited\* (重慶天然氣儲運有限公司) with PetroChina Company Limited (中國石油天然氣股份有限公司), Chongqing Gas Group Corporation Ltd. (重慶燃氣集團股份有限公司), Chongqing Shale Gas Industry Investment Fund Co., Ltd. (重慶頁岩氣產業投資基金有限責任公司) and Chongqing Kaiyuan Petroleum and Natural Gas Co., Ltd. (重慶凱源石油天然氣有限責任公司). The joint venture will build two gas storage facilities with a capacity of 3.1 billion cubic metres. After completion, the facilities will play to their strengths in resources, location and so forth of underground gas storage in Chongqing to address the problems including insufficient gas storage facilities and weak supply in winter in the city, which will make a positive contribution to ensure the national gas supply in China. The Group announced to acquire a total of 17.19% stake in Shandong Shengli Co., Ltd. (000407.SZ) in July and August 2021, which will further broaden its market coverage, generate synergies and promote its high-quality development.

**A. FINANCIAL INFORMATION OF THE TARGET GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020 AND THE SIX MONTHS ENDED 30 JUNE 2021**

For the purpose of this section only, unless the context requires otherwise, references to the “Company” are to Target Company and references to the “Group” are to the Target Group, and references to “we”, “us” and “our” shall be construed accordingly.

The following is an extract of the audited consolidated financial statements of Target Group for the years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial statements of Target Group for the six months ended 30 June 2021, which were prepared in accordance with China Accounting Standards for Business Enterprise (“CAS”), as extracted from the respective annual reports/interim report and consolidated financial statements of the Target Group for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021. These financial statements were issued in chinese and the english translated version is provided for information purposes only. In case of discrepancies between the two versions, the chinese version shall prevail.

The annual reports/interm report and consolidated financial statements of the Target Group for the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are available at the website of the Shenzhen Stock Exchange (<http://www.szse.cn>).

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the shareholders and investors should exercise caution and should not place undue reliance on such information.

## Auditor's Report

Da Xin Shen Zi [2019] No. 3-00014

### To all the members of Shandong Shengli Co., Ltd.:

#### I. Auditor's Opinion

We have audited the accompanying financial statements of Shandong Shengli Co., Ltd. (hereinafter referred to as the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2018, and the Company's and consolidated income statements, the Company's and consolidated cash flow statements, and the Company's and consolidated statements of changes in shareholders' equity for 2018, and the notes to these financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2018, and the Company's and consolidated results of operations and cash flows for 2018 in accordance with Accounting Standards for Business Enterprises.

#### II. Basis for the Auditor's Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" section of the audit report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

#### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### (1) Impairment of Goodwill

###### 1. Description of the Matter

As described in Notes III(19) and V(13) to the Financial Statements, the net goodwill of the Company was RMB1,229,406,768.03 (of which RMB1,271,468,295.00 was the original carrying value and RMB42,061,526.97 was provision for impairment) as at 31 December, 2018, representing 19.13% of total assets. The Company performs annual year-end impairment tests for goodwill, including engaging a professional valuer to perform a specialized assessment of goodwill. Impairment tests for goodwill require the management to make projections and estimates of future cash flows, discount rates and other relevant parameters for relevant asset groups, which involve significant management judgment, and therefore we deem goodwill impairment as a key audit matter.

###### 2. How the Matter was Addressed in Our Audit

The audit procedures we performed for the impairment of goodwill mainly included:

(1) Assess the suitability of the impairment test method and evaluate the assumptions and methods used by management in estimating the recoverable value of each asset group;

(2) Analyse and review the reasonableness of the significant estimates and judgements



applied by the management in estimating the present value of future cash flows in the impairment test, taking into account our understanding of the industry;

(3) Evaluating the competence, professionalism and objectivity of the external valuer engaged by the company;

(4) Verifying the accuracy of the calculation of the goodwill impairment test model;

(5) Assessing the reliability and historical accuracy of the management's projection processes by comparing the performance projections of the prior year with the actual results of the current year.

#### (2) Recognition of Deferred Income Tax Assets

##### 1. Description of the Matter

As described in Note V (15) to the Financial Statements, the balance of the deferred income tax assets was RMB193,743,958.20 as at 31 December, 2018. The deferred income tax assets recognised were mainly associated with deductible losses of the Parent Company and the assessment of whether the deferred income tax assets will be realized in future periods requires significant management judgments. We therefore deem the recognition of deferred income tax assets as a key audit matter.

##### 2. How the Matter was Addressed in Our Audit

The audit procedures we performed with respect to the recognition of deferred income tax assets mainly included:

(1) Testing the design and implementation of internal controls related to the recognition of deferred income tax assets;

(2) Communicating with the tax professionals of the Company to obtain tax settlement information so as to determine the basis and calculation results of the deductible losses, and having that calculation reviewed by our tax specialists;

(3) Obtaining the financial projections for the future periods of the Parent Company, as approved by the management, and assessing whether their preparation was consistent with that of the industry and in line with its own circumstances, and considering the impact of relevant special events on the reliability of future financial projections;

(4) Reviewing whether deferred income tax assets were recognised subject to the availability of assessable income against which deductible losses can be used in future periods.

#### IV. Other Information

The Management (the "Management") of the Company are responsible for the other information. The other information comprises all the information included in the 2018 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work so performed, we shall report any material misstatement as contained in the other information that we ascertain. In this aspect, we have no such matter to be reported.

#### V. Responsibilities of the Management and Governing Bodies for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises (CAS), as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governing bodies are responsible for supervising the financial reporting processes of the Company.

#### VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we performed the following tasks:

(1) to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(2) to understand the audit related internal controls in order to design appropriate audit procedures.

(3) to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) to conclude on the appropriateness of the Management's use of the going concern basis of accounting, and based on the audit evidence obtained, to conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion; If the disclosure is inadequate, we shall express a qualified opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a fair manner.

(6) to obtain sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and remain solely responsibility for our audit opinion.

We communicate with the Governing Bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.

We also provide the Governing Bodies with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Governing Bodies, we determine those matters that were of most significance in the audit of the financial statements of the current period and are

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**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

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therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP

PRC certified public accountant: Chen Jinbo  
(Engagement Partner)

China•Beijing

PRC certified public accountant: Yu Renjiang

16 April, 2019

## II. Financial Statements

<b>Consolidated Balance Sheet</b>			
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2018	Unit: RMB
Item	Note	Closing balance	Opening balance
<b>Current assets:</b>			
Monetary Funds	V. (1)	1,019,938,236.45	603,377,379.21
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable and accounts receivable	V. (2)	361,125,145.24	340,865,198.29
Where: Notes receivable	V. (2)	40,900,821.06	28,554,923.15
Accounts receivable	V. (2)	320,224,324.18	312,310,275.14
Prepayments	V. (3)	147,300,534.70	108,431,196.61
Other receivables	V. (4)	183,521,108.23	220,305,227.02
Where: Interest receivable	V. (4)		
Dividend receivable	V. (4)		6,434,872.26
Inventories	V. (5)	447,246,067.79	412,677,139.85
Assets held for sales			
Non-current assets due within one year			
Other current assets	V. (6)	56,345,485.26	57,659,534.13
<b>Total current assets</b>		<b>2,215,476,577.67</b>	<b>1,743,315,675.11</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	V. (7)	77,265,266.99	77,265,266.99
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	V. (8)	778,173,556.00	741,444,429.24
Investment Properties	V. (9)	82,387,794.00	88,437,672.60
Fixed assets	V. (10)	1,465,879,046.08	1,056,992,198.29
Construction in progress	V. (11)	197,664,532.50	162,237,337.13
Productive biological assets			
Oil and gas assets			
Intangible assets	V. (12)	123,586,774.46	107,308,910.89
Development expenses			
Goodwill	V. (13)	1,229,406,768.03	768,028,461.91
Long-term deferred expenses	V. (14)	16,003,839.88	13,092,293.46
Deferred tax assets	V. (15)	193,743,958.20	167,902,712.80
Other non-current assets	V. (16)	47,438,503.58	119,080,314.27
<b>Total non-current assets</b>		<b>4,211,550,039.72</b>	<b>3,301,789,597.58</b>
<b>Total assets</b>		<b>6,427,026,617.39</b>	<b>5,045,105,272.69</b>

Consolidated Balance Sheet (Continued)			
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2018	Unit: RMB
Item	Note	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings	V. (17)	1,090,760,000.00	610,450,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and accounts payable	V. (18)	1,017,975,578.49	533,606,121.87
Advance receipts	V. (19)	544,091,655.00	403,142,090.32
Staff remuneration payables	V. (20)	35,814,845.84	23,664,433.23
Taxes payable	V. (21)	54,366,449.56	35,702,275.68
Other payables	V. (22)	157,531,995.54	80,615,071.65
Where: Interest payable	V. (22)	5,176,208.81	2,036,636.85
Dividend payable	V. (22)	17,469,356.97	1,497,902.15
Liabilities held for sales			
Non-current liabilities due within one year	V. (23)	149,716,666.67	329,125,000.00
Other current liabilities			
<b>Total current liabilities</b>		<b>3,050,257,191.10</b>	<b>2,016,304,992.75</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	V. (24)	164,500,000.00	299,700,000.00
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Long-term payables	V. (25)	443,683,333.33	
Long-term staff remuneration payables			
Estimated liabilities			
Deferred revenue	V. (26)	12,074,682.16	9,493,750.00
Deferred tax liabilities	V. (15)	19,255,786.65	21,140,312.43
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>639,513,802.14</b>	<b>330,334,062.43</b>
<b>Total liabilities</b>		<b>3,689,770,993.24</b>	<b>2,346,639,055.18</b>
<b>Shareholders' equity:</b>			
Share capital	V. (27)	880,084,656.00	880,084,656.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves	V. (28)	1,011,907,900.19	1,015,899,074.90
Less: Treasury shares			
Other comprehensive income			
Special Reserves	V. (29)	7,969,630.90	9,699,627.10
Surplus reserves	V. (30)	130,840,169.04	119,036,863.43
Retained profits	V. (31)	240,690,168.25	149,962,820.82
Total Equity attributable to the Shareholders of the Parent Company		2,271,492,524.38	2,174,683,042.25
Minority Stockholder's Interest		465,763,099.77	523,783,175.26
<b>Total shareholders' equity</b>		<b>2,737,255,624.15</b>	<b>2,698,466,217.51</b>
<b>Total liabilities and/or shareholders' equities</b>		<b>6,427,026,617.39</b>	<b>5,045,105,272.69</b>

Parent Company Balance Sheet			
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2018	
		Unit: RMB	
Item	Note	Closing balance	Opening balance
Current assets:			
Monetary Funds		539,770,854.3	297,766,083.91
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable and accounts receivable	XIII. (1)	48,654,036.17	12,667,646.52
Where: Notes receivable	XIII. (1)	3,977,033.76	10,264,490.40
Accounts receivable	XIII. (1)	44,677,002.41	2,403,156.12
Prepayments		137,319.98	518,014.59
Other receivables	XIII. (2)	746,978,001.42	715,242,624.98
Where: Interest receivable	XIII. (2)		
Dividend receivable	XIII. (2)	43,413,523.42	6,434,872.26
Inventories		2,600,191.20	382,908.94
Assets held for sales			
Non-current assets due within one year			
Other current assets		3,093,202.99	887,902.06
Total current assets		1,341,233,606.13	1,027,465,181.00
Non-current assets:			
Available-for-sale financial assets		19,451,394.01	19,451,394.01
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XIII. (3)	2,932,112,855.76	2,195,636,580.95
Investment Properties		82,387,794.00	88,437,672.60
Fixed assets		40,236,654.73	21,497,591.03
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets		5,666,408.77	6,005,945.00
Development expenses			
Goodwill			
Long-term deferred expenses		326,682.87	498,965.91
Deferred tax assets		172,847,097.31	149,955,670.24
Other non-current assets		480,200.00	67,500,000.00
Total non-current assets		3,253,509,087.45	2,548,983,819.74
Total assets		4,594,742,693.58	3,576,449,000.74

Parent Company Balance Sheet (Continued)			
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2018	
		Unit: RMB	
Item	Note	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings		742,840,000.00	347,450,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and accounts payable		457,900,547.66	130,106,037.98
Advance receipts		10,510,596.84	2,192,776.09
Staff remuneration payables		2,982,692.64	1,150,008.52
Taxes payable		7,964,617.45	8,236,775.52
Other payables		548,978,081.74	493,601,359.48
Where: Interest payable		4,906,529.56	1,835,062.21
Dividend payable		1,497,902.15	1,497,902.15
Liabilities held for sales			
Non-current liabilities due within one year		131,716,666.67	299,000,000.00
Other current liabilities			
Total current liabilities		1,902,893,203.00	1,281,736,957.59
<b>Non-current liabilities:</b>			
Long-term borrowings		86,500,000.00	249,700,000.00
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Long-term payables		443,683,333.33	
Long-term staff remuneration payables			
Estimated liabilities			
Deferred income			
Deferred tax liabilities		11,755,032.12	13,267,501.77
Other non-current liabilities			
Total non-current liabilities		541,938,365.45	262,967,501.77
Total liabilities		2,444,831,568.45	1,544,704,459.36
<b>Shareholders' equity:</b>			
Share capital		880,084,656.00	880,084,656.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves		1,029,005,838.54	1,028,872,310.84
Less: Treasury shares			
Other comprehensive income			
Special Reserves			
Surplus reserves		130,415,159.34	118,611,853.73
Retained profits		110,405,471.25	4,175,720.81
Total shareholders' equity		2,149,911,125.13	2,031,744,541.38
Total liabilities and shareholders' equity		4,594,742,693.58	3,576,449,000.74

Consolidated Income Statement			
Prepared by: Shandong Shengli Co., Ltd.		Year 2018	
		Unit: RMB	
Item	Note	This Period	Previous period
I. Operating Income	V. (32)	4,675,800,100.30	3,827,958,840.94
Less: Operating Costs	V. (32)	3,936,743,398.23	3,260,859,559.52
Tax and Surcharges	V. (33)	12,959,558.43	11,855,163.72
Cost of Sales	V. (34)	247,413,830.36	165,914,659.41
Administrative expenses	V. (35)	132,377,671.12	119,933,452.21
R&D expenses	V. (36)	17,663,318.65	21,158,581.38
Financial expenses	V. (37)	99,333,789.37	53,322,059.90
Where: Interest expenses	V. (37)	114,341,172.94	58,049,802.79
Interest income	V. (37)	19,485,794.54	7,807,881.03
Asset impairment loss	V. (38)	52,546,980.61	74,000,086.08
Add: Other income	V. (39)	5,488,470.11	525,000.00
Investment income (loss denoted by a "-")	V. (40)	58,888,204.75	236,391,056.50
Where: Share of profits in associates and joint ventures	V. (40)	62,780,135.36	22,419,754.21
Income from changes in fair value (loss denoted by a "-")	V. (41)	-6,049,878.60	15,172.60
Income from disposal of assets (loss denoted by a "-")	V. (42)	586,005.65	62,083.57
II. Operating profit (loss denoted by a "-")		235,674,355.44	357,908,591.39
Add: Non-operating income	V. (43)	2,217,951.25	32,621,794.88
Less: Non-operating expenses	V. (44)	1,207,421.01	229,575,157.15
III. Total profit (total losses denoted by a "-")		236,684,885.68	160,955,229.12
Less: Income tax expenses	V. (45)	54,794,672.35	38,252,032.56
IV. Net profit (net loss denoted by "-")		181,890,213.33	122,703,196.56
(1) By continuity of operations:			
1. Net profit from continuing operations (net loss denoted by a "-")		184,171,054.97	133,744,119.29
2. Net profit from discontinued operations (net loss denoted by a "-")	XII. (i)	-2,280,841.64	-11,040,922.73
(2) By Ownership:			
1. Net profit attributable to shareholders of Parent Company (net loss denoted by a "-")		102,530,653.04	62,302,459.69
2. Profits and losses attributable to minority interests (net loss denoted by a "-")		79,359,560.29	60,400,736.87
V. Other comprehensive income, net of tax			
Net other comprehensive income after tax attributable to shareholders of parent company			
(1) Other comprehensive income that will not be reclassified to profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
(2) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
6. Others			
Other comprehensive income attributable to minority shareholders, net of tax			



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**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

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Shandong Shengli Co., Ltd. 2018 Annual Report

VI. Total comprehensive income		181,890,213.33	122,703,196.56
Total comprehensive income attributable to the shareholders of the parent company		102,530,653.04	62,302,459.69
Total comprehensive income attributable to minority shareholders		79,359,560.29	60,400,736.87
VII. Earnings per share			
(1) Basic earnings per share		0.12	0.07
(2) Diluted earnings per share		0.12	0.07

Parent Company Income Statement			
Prepared by: Shandong Shengli Co., Ltd.		Year 2018	Unit: RMB
Item	Note	This Period	Previous period
I. Operating Income	XIII. (4)	328,308,353.08	136,895,835.75
Less: Operating Costs	XIII. (4)	325,030,730.68	132,212,026.18
Tax and Surcharges		1,221,664.52	1,731,453.30
Cost of Sales		1,669,697.20	2,078.31
Administrative expenses		41,670,851.05	39,491,231.11
R&D expenses			
Financial expenses		50,382,128.01	20,357,588.29
Where: Interest expenses		62,193,090.67	25,159,653.24
Interest income		12,418,943.31	4,872,981.03
Asset impairment loss		30,184,196.01	53,730,782.87
Add: Other income			
Investment income (loss denoted by a "-")	XIII. (5)	220,090,810.70	108,608,343.59
Where: Share of profits in associates and joint ventures	XIII. (5)	51,425,683.41	23,775,746.18
Income from changes in fair value (loss denoted by a "-")		-6,049,878.60	15,172.60
Income from disposal of assets (loss denoted by a "-")			
II. Operating profit (loss denoted by a "-")		92,190,017.71	-2,005,808.12
Add: Non-operating income		1,453,349.43	30,649,955.02
Less: Non-operating expenses		9,431.25	200.00
III. Total profit (total losses denoted by a "-")		93,633,935.89	28,643,946.90
Less: Income tax expenses		-24,399,120.16	-62,333,783.16
IV. Net profit (net loss denoted by "-")		118,033,056.05	90,977,730.06
(1) Net profit from continuing operations (net loss denoted by a "-")			
(2) Net profit from discontinued operations (net loss denoted by "-")			
V. Other comprehensive income, net of tax			
(1) Other comprehensive income that will not be reclassified to profit or loss			
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
(2) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
6. Others			
VI. Total comprehensive income		118,033,056.05	90,977,730.06
VII. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Consolidated Cash Flow Statement			
Prepared by: Shandong Shengli Co., Ltd.		Year 2018	Unit: RMB
Item	Note	This Period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		5,254,521,054.62	4,415,663,600.75
Tax rebates received		104,745.71	
Other cash received relating to operating activities	V. (46)	29,773,148.06	37,837,722.97
Sub-total of cash inflows from operating activities		5,284,398,948.39	4,453,501,323.72
Cash paid for goods and services		4,464,728,121.36	3,806,766,262.84
Cash paid to and for employees		147,466,683.54	113,042,096.63
Cash paid for taxes and surcharges		136,270,676.53	152,590,795.59
Other cash paid relating to operating activities	V. (46)	251,991,061.69	178,943,118.18
Sub-total of cash outflows from operating activities		5,000,456,543.12	4,251,342,273.24
Net cash flows from operating activities		283,942,405.27	202,159,050.48
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		3,788,908.16	14,516,000.00
Cash received from returns on investments		15,451,649.66	1,863,716.05
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		187,198.89	156,662.44
Net cash received from disposal of subsidiaries and other operating entities			3,375,270.91
Other cash received concerning investing activities	V. (46)	20,570,462.28	135,973,503.65
Sub-total of cash inflows from investing activities		39,998,218.99	155,885,153.05
Cash paid to acquire fixed assets, intangible assets and other long-term assets		348,725,005.05	295,756,772.48
Cash paid to acquire investments			104,058,250.00
Net cash paid to acquire subsidiaries and other operating entities	V. (47)	288,001,187.99	237,471,995.20
Other cash paid relating to investing activities	V. (46)	8,996,807.55	40,704,457.54
Sub-total of cash outflows from investing activities		645,723,000.59	677,991,475.22
Net cash flows from investing activities		-605,724,781.60	-522,106,322.17
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions			1,611,892.50
Where: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		1,377,600,000.00	1,040,360,000.00
Cash received from issuing of bonds			
Other cash received relating to financing activities	V. (46)	460,000,000.00	
Sub-total of cash inflow from financing activities		1,837,600,000.00	1,041,971,892.50
Cash repayments of amounts borrowed		1,247,015,000.00	602,210,000.00
Cash paid for dividends, profit and interest		206,741,766.43	76,488,484.29
Where: Dividends and profits paid by subsidiaries to minority shareholders		95,540,165.45	19,361,761.58
Other cash paid relating to financing activities	V. (46)	40,000,000.00	
Sub-total of cash outflow from financing activities		1,493,756,766.43	678,698,484.29
Net cash flows from financing activities		343,843,233.57	363,273,408.21
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			2,824.93
V. Net increase in cash and cash equivalents		22,060,857.24	43,328,961.45
Add: Cash and cash equivalents at beginning of period		529,877,379.21	486,548,417.76
VI. Closing balance of cash and cash equivalents		551,938,236.45	529,877,379.21

Parent Company Cash Flow Statement			
Prepared by: Shandong Shengli Co., Ltd.		Year 2018	Unit: RMB
Item	Note	This Period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		356,180,518.49	160,380,109.92
Tax rebates received		104,745.71	
Other cash received relating to operating activities		12,468,665.33	3,129,595.69
Sub-total of cash inflows from operating activities		368,753,929.53	163,509,705.61
Cash paid for goods and services		336,437,642.25	158,893,686.97
Cash paid to and for employees		16,838,128.26	16,903,036.59
Cash paid for taxes and surcharges		2,126,809.18	3,871,331.52
Other cash paid relating to operating activities		20,705,634.57	49,450,455.28
Sub-total of cash outflows from operating activities		376,108,214.26	229,118,510.36
Net cash flows from operating activities		-7,354,284.73	-65,608,804.75
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		3,842,508.16	14,516,000.00
Cash received from returns on investments		142,443,298.76	110,918,222.98
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		58,848.89	
Net cash received from disposal of subsidiaries and other operating entities			2,954,709.90
Other cash received concerning investing activities		20,570,462.28	75,973,503.65
Sub-total of cash inflows from investing activities		166,915,118.09	204,362,436.53
Cash paid to acquire fixed assets, intangible assets and other long-term assets		6,545,657.91	111,460.02
Cash paid to acquire investments		238,711,766.67	388,598,854.88
Net cash paid to acquire subsidiaries and other operating entities			
Other cash paid relating to investing activities		136,133,681.67	
Sub-total of cash outflows from investing activities		381,391,106.25	388,710,314.90
Net cash flows from investing activities		-214,475,988.16	-184,347,878.37
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions			
Cash received from borrowings		852,840,000.00	691,860,000.00
Cash received from issuing of bonds			
Other cash received relating to financing activities		116,000,000.00	
Sub-total of cash inflow from financing activities		968,840,000.00	691,860,000.00
Cash repayments of amounts borrowed		796,383,333.33	432,210,000.00
Cash paid for dividends, profit and interest		59,121,623.32	24,364,725.05
Other cash paid relating to financing activities		40,000,000.00	
Sub-total of cash outflow from financing activities		895,504,956.65	456,574,725.05
Net cash flows from financing activities		73,335,043.35	235,285,274.95
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>			
		-148,495,229.54	-14,671,408.17
Add: Cash and cash equivalents at beginning of period		264,266,083.91	278,937,492.08
<b>VI. Closing balance of cash and cash equivalents</b>			
		115,770,854.37	264,266,083.91

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Consolidated Statement of Changes of Shareholders' Equity												Unit: RMB	
Item	This Period												
	Equity attributable to the Shareholders of the Parent Company												
	Share capital	Preference shares	Perpetual bonds	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Subtotal	Minority stockholder's interest	Total shareholders' equity
I. Closing balance of previous year	880,084,656.00				1,015,899,074.90			9,699,627.10	119,036,863.43	149,962,820.82	2,174,683,042.25	523,783,175.26	2,698,466,217.51
Add: Change in Accounting Policies													
Correction of Errors in the Previous Period													
Combination under common control													
Other													
II. Opening balance of the year	880,084,656.00				1,015,899,074.90			9,699,627.10	119,036,863.43	149,962,820.82	2,174,683,042.25	523,783,175.26	2,698,466,217.51
III. Movements during the period (decrease denoted by a "-")					-3,991,174.71			-1,729,996.20	11,803,305.61	90,727,347.43	96,809,482.13	-58,020,075.49	38,789,406.64
(1) Total comprehensive income									102,530,653.04			79,359,560.29	181,890,213.33
(2) Contribution and withdrawal of capital by shareholders												-1,475,954.48	-1,475,954.48
1. Common stock contributed by shareholders													
2. Proceeds from other equity instruments holders													
3. Share-based payment recorded in owners' equity													
4. Others													
(3) Appropriation of profits									-11,803,305.61	-11,803,305.61		-11,512,262.97	-11,512,262.97
1. Appropriation to surplus reserves									11,803,305.61	-11,803,305.61			
2. Distributions to shareholders													
3. Others													
(4) Internal carry-over of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserves to share capital													
3. Making up of losses with surplus reserves													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Other													
(5) Special Reserves													
1. Appropriation during the period								-1,729,996.20				-1,100,088.27	-2,830,084.47
2. Utilization during the period								19,212,855.56				7,008,283.85	26,221,139.41
(6) Other								-20,942,851.76				-8,108,372.12	-29,051,223.88
IV. Closing Balance of the period	880,084,656.00				1,011,907,900.19			7,969,630.90	130,840,169.04	240,690,168.25	2,271,492,524.38	465,763,099.77	2,737,255,624.15

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## Consolidated Statement of Changes of Shareholders' Equity

Item	Year 2018										Total shareholders' equity	
	Previous Period											
	Equity attributable to the Shareholders of the Parent Company											
	Share capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Subtotal		Minority stockholder's interest
	Preferences shares	Perpetual bonds	Other									
I. Closing balance of previous year	880,084,656.00				1,015,368,815.05		15,123,382.28	118,572,894.45	88,124,330.11	2,117,274,077.89	401,832,111.57	2,519,106,189.46
Add: Change in Accounting Policies												
Correction of Errors in the Previous Period												
Combination under common control												
Other												
II. Opening balance of the year	880,084,656.00				1,015,368,815.05		15,123,382.28	118,572,894.45	88,124,330.11	2,117,274,077.89	401,832,111.57	2,519,106,189.46
III. Movements during the period (decrease denoted by a "-")					530,259.85		-5,423,755.18	463,968.98	61,838,490.71	57,408,964.36	121,951,063.69	179,360,028.05
(1) Total comprehensive income									62,302,459.69	62,302,459.69	60,400,736.87	122,703,196.56
(2) Contribution and withdrawal of capital by shareholders												
1. Common stock contributed by shareholders												
2. Proceeds from other equity instruments holders												
3. Share-based payment recorded in owners' equity												
4. Others												
(3) Appropriation of profits												
1. Appropriation to surplus reserves								463,968.98	-463,968.98		82,132,739.85	82,132,739.85
2. Distributions to shareholders								463,968.98	-463,968.98		-19,361,761.58	-19,361,761.58
3. Others												
(4) Internal carry-over of shareholders' equity												
1. Transfer of capital reserve to share capital												
2. Transfer of surplus reserves to share capital												
3. Making up of losses with surplus reserves												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Other												
(5) Special Reserves												
1. Appropriation during the period							-5,423,755.18			-5,423,755.18	-1,220,651.45	-6,644,406.63
2. Utilization during the period							15,074,664.76			15,074,664.76	6,131,175.81	21,205,840.57
(6) Other					530,259.85		-20,498,419.94			-20,498,419.94	-7,351,827.26	-27,850,247.20
IV. Closing Balance of the period	880,084,656.00				1,015,899,074.90		9,699,627.10	119,036,863.43	149,962,820.82	2,174,683,042.25	523,783,175.26	2,698,466,217.51

Prepared by: Shandong Shengli Co., Ltd.

Year 2018

Previous Period

Unit: RMB

Statement of Changes of Shareholders' Equity of Parent Company										Unit: RMB	
Year 2018											
Item	Share capital	Preference shares			Other equity instruments			This Period			Total shareholders' equity
		Preference shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	
I. Closing balance of previous year	880,084,656.00	-	-	-	1,028,872,310.84	-	-	-	118,611,853.73	4,175,720.81	2,031,744,541.38
Add: Change in Accounting Policies											
Correction of Errors in the Previous Period											
Other											
II. Opening balance of the year	880,084,656.00				1,028,872,310.84				118,611,853.73	4,175,720.81	2,031,744,541.38
III. Movements during the period (decrease denoted by "-")					133,527.70				11,803,305.61	106,229,750.44	118,166,583.75
(1) Total comprehensive income										118,033,056.05	118,033,056.05
(2) Contribution and withdrawal of capital by shareholders											
1. Common stock contributed by shareholders											
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owners' equity											
4. Others											
(3) Appropriation of profits											
1. Appropriation to surplus reserves									11,803,305.61	-11,803,305.61	
2. Distributions to shareholders									11,803,305.61	-11,803,305.61	
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserves to share capital											
3. Making up of losses with surplus reserves											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Other											
(5) Special Reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Other											
IV. Closing Balance of the period	880,084,656.00				1,162,399,038.54				130,415,159.34	110,405,471.25	2,149,911,251.13

Item	Previous Period										Total shareholders' equity
	Share capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Total shareholders' equity	
		Preference shares	Perpetual bonds								
I. Closing balance of previous year	880,084,656.00			1,028,857,765.21				118,147,884.75	-86,538,040.27	1,940,752,265.69	
Add: Change in Accounting Policies											
Correction of Errors in the Previous Period											
Other											
II. Opening balance of the year	880,084,656.00			1,028,857,765.21				118,147,884.75	-86,538,040.27	1,940,752,265.69	
III. Movements during the period (decrease denoted by a minus sign)				14,545.63				463,968.98	90,513,761.08	90,992,275.69	
(1) Total comprehensive income									90,977,730.06	90,977,730.06	
(2) Contribution and withdrawal of capital by shareholders											
1. Common stock contributed by shareholders											
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owners' equity											
4. Others											
(3) Appropriation of profits								463,968.98	-463,968.98		
1. Appropriation to surplus reserves											
2. Distributions to shareholders								463,968.98	-463,968.98		
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserves to share capital											
3. Making up of losses with surplus reserves											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Other											
(5) Special Reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Other				14,545.63						14,545.63	
IV. Closing Balance of the period	880,084,656.00			1,028,872,310.84				118,611,853.73	4,175,720.81	2,031,744,541.38	

Unit: RMB

Statement of Changes of Shareholders' Equity of Parent Company  
Year 2018

Prepared by: Shandong Shengli Co., Ltd.



## III. Notes to Financial Statements

## Notes to Financial Statements of Shandong Shengli Co. Ltd.

(Expressed in RMB Yuan in these notes, unless otherwise stated)

### I. Basic Corporate Information

Shandong Shengli Co., Ltd. (the "Company") was established by Shandong Shengli Group Company alone on 8 February 1994 as approved by Shandong Provincial Economic System Reform Commission under the document numbered Lu Ti Gai Sheng Zi (1994) No. 39, and formally established as a joint stock company under the document numbered Lu Ti Gai Sheng Zi (1994) No. 103 on 26 April 1994. The Company's A shares were listed on the Shenzhen Stock Exchange on 3 July, 1996 under the short stock name of "Shengli Gufen" and stock code: 000407. The Company's Uniform Social Credit Code: 91370000163074944M.

Registered address: 32nd Floor, Block B, Building 1, Jinan Yaogu, Gangxing 3rd (North) Road, Hi-Tech District, Jinan City, Shandong Province.

Scope of Business: Gas business (natural gas, CNG, vehicle gas refueling, valid for the period stated on the license). Equity investment management; Technological consultation, development and transfer; research, production, sales and installation of plastic products; self-managed import and export business and sales of chemical products (excluding dangerous chemicals); real estate development and earthworks. (The items that requires approval by law can only be dealt in after being approved by the relevant departments.)

For details of the subsidiaries included in the scope of consolidation of the Company, please refer to Notes "VI. Changes in Scope of Consolidation" and "VII. Interests in Other Entities".

The financial statements were published by the Board of Directors of the Company according to its resolution dated 16 April 2019.

### II. Basis of Preparation of Financial Statements

(1) Basis of Preparation: The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises - Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively the "ASBEs"), and on the basis of the significant accounting policies and accounting estimates described below.

(2) Going Concern:

The Company has had the ability to continue as a going concern for at least 12 months from the end of the reporting period and there are no material events affecting the ability to continue as a going concern.

### III. Significant accounting policies and estimates

Based on its actual operating characteristics, the Company has formulated specific accounting policies and estimates for, among others, revenue recognition, in accordance with the relevant ASBEs, which are mainly reflected in provision for receivables (Note III (11)), inventory valuation method (Note III (12)), depreciation of fixed assets (Note III (15)) and timing of revenue recognition (Note III (24)).

(1) Statement of compliance with corporate accounting standards

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 31 December 2018, and operating results and cash flows in 2018, as well as other relevant information.

(2) Accounting Period

The accounting year of the Company begins on January 1 and ends on December 31.

(3) Operating Cycle

The Company takes one year or 12 months as its normal operating cycle that serves as the division standard for the liquidity of assets and liabilities.

(4) Reporting Currency

The Company uses Renminbi as its reporting currency.

(5) Business combinations

1. Business combination under common control

For long-term equity investments resulting from a business combination under common control where the acquirer pays cash, transfers non-cash assets or assumes debts as consideration for the combination, the Company's share of the carrying value of the net assets of the acquiree in the consolidated financial statements of the ultimate controlling party acquired at the date of the combination is used as the initial investment cost of the long-term equity investment. In case the acquirer pays the consideration for the combination by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve; or against the retained earnings of the Company in case of insufficient capital reserve.

2. Business combination not under common control

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Identifiable assets, liabilities and contingent liabilities of the acquiree acquired in a business combination not under common control that meet the criteria for recognition are measured at fair value at the date of acquisition. Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised as goodwill. Where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised in the non-operating income for the current period if confirmed after review.

(6) Preparation of Consolidated Financial Statements

1. Scope of Consolidated Financial Statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

2. Harmonisation of Accounting Policies, Balance Sheet Date and Accounting Period Between Parent Company and its Subsidiaries

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods.

3. Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the balance sheets of the company and subsidiaries, which offset the internal transactions incurred between the company and subsidiaries and between subsidiaries. The portion of a subsidiary's equity that is not attributable to the company is treated as minority interests and presented as "minority interest" in the consolidated balance sheet under Minority Stockholder's Interest. Long-term equity investments in the Company held by the subsidiaries are treated as treasury stock of the Company and presented in "Less:

Treasury Stock” as a deduction from shareholders’ equity in the consolidated balance sheet under Shareholders’ Equity.

#### 4. Accounting treatment of subsidiaries acquired from business combination

For a subsidiary acquired in a business combination under common control, the assets, liabilities, operating results and cash flows of the subsidiary are included in the consolidated financial statements starting from the beginning of the period of the combination, as if the business combination had occurred from the time the ultimate controlling party assumed effective control; For subsidiaries acquired through business combination not under common control, in preparing the financial statements, their individual financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

#### (7) Classification of joint arrangements and accounting treatment for joint operations

##### 1. Classification of joint arrangements

Joint arrangements are classified as joint operation and joint ventures. Joint arrangements established not through separate entities are classified as joint operations. Separate entities refer to the entities with separate identifiable financial architecture including separate legal entities and legally recognised entities without the qualification of legal entity. Joint arrangements established through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties under a joint arrangement due to changes in relevant facts and circumstances, the parties will reassess the classification of joint arrangements.

##### 2. Accounting treatment for joint operations

The Company as a party to a joint operation should recognise the following items in relation to their share of interest in joint operation, and accounts for them in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: its separate assets or liabilities held, and recognise the assets or liabilities jointly held according to their respective shares; incomes from sale of output from the joint operation it receives on a pro-rata basis; incomes attributable to it on a pro-rata basis as a result of the sale of output from the joint operation; and expenses incurred solely by it and those incurred by the joint operation on a pro-rata basis.

In case the Company is a party to a joint operation not under common control, if it is entitled to relevant assets and undertakes relevant liabilities of the joint operation, accounting will be carried out with reference to the provisions applicable to the parties of joint operation; otherwise, it should be subject to relevant requirements under the ASBEs.

##### 3. Accounting treatment for joint ventures

If the Company is a party to a joint venture, it shall account for its investment in the joint venture in accordance with the provisions of ASBE No. 2, "Long-term equity investment", and if the Company is not a party to a joint venture, it shall account for the joint venture according to the extent of its influence over the joint venture.

#### (8) Recognition Criteria for cash and cash equivalents

Cash determined in the preparation of statement of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statement of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

#### (9) Foreign currency transactions and translation of foreign currency financial statement

##### 1. Translation of foreign currency transactions

A foreign currency transaction is translated to its reporting currency for accounting purpose using the exchange rate prevailing on the date of the transaction. Any exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used at its initial recognition or on the last balance sheet date shall be recognised in profit or loss for the period, except for those arising from specific borrowings denominated in foreign currency and qualified for capitalisation, which are capitalised as cost of the related assets during the capitalisation period. A non-monetary item denominated in foreign currency measured at historical cost shall be translated using the spot exchange rate prevailing on the date when a transaction occurs and the amount of its reporting currency shall remain unchanged. A non-monetary item denominated in foreign currency at fair value shall be translated using the spot rate on the date when its fair value is determined, and the resulting exchange difference between the amount in the reporting currency after translation and the original amount in the reporting currency shall be recognised as changes in

fair value (including change of exchange rate) in profit or loss for the period or in other comprehensive income.

#### 2. Translation of foreign currency financial statement

If the subsidiaries, joint ventures and associates of the Company are different from Company in terms of reporting currency, the Company shall translate their foreign currency financial statements before accounting for them and preparing the consolidated financial statements. Assets and liabilities in the balance sheet shall be translated using the spot exchange rates on the balance sheet date; except retained profit, items under owner's equity shall be translated using spot exchange rates at occurrence. Income and expense items in the income statement shall be translated using the spot exchange rates on their transaction dates. Translation differences arising from the translation of foreign currency financial statements are presented in the balance sheet under Other Comprehensive Income in Owners' Equity. Cash flow dominated in foreign currency shall be translated using the spot rates at occurrences. The effects of exchange rate changes on cash are presented separately in the cash flow statement. On disposal of a foreign operation, the difference from translation of foreign currency statement relating to the foreign operation is transferred to profit or loss for the period of disposal, either in full or in proportion to the disposed portion of the foreign operation.

#### (10) Financial Instruments

##### 1. Classification and recognition of financial instruments

Financial instruments are classified as financial assets or financial liabilities and equity instruments. A financial asset, a financial liability or an equity instrument is recognised when the Company becomes a contractual party to a financial instrument.

Financial assets are classified on initial recognition as: Financial assets at fair value through profit or loss, held-to-maturity investments, accounts receivable and available-for-sale financial asset. Except for receivables, financial assets are classified based on, among other things, the intention and ability of the Company and its subsidiaries to hold the financial assets. Financial liabilities are classified on initial recognition as: Financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets at fair value through profit or loss include trading financial assets held for sale in short term and financial assets designated as at fair value through profit and loss on initial recognition; Accounts receivable refer to non-derivative financial assets with fixed or determinable recoveries that are not quoted in an active market; Available-for-sale financial assets refer to non-derivative financial assets designated as available for sale on initial recognition or not classified as any other category; Held-to-maturity investments refer to non-derivative financial assets with fixed maturity and fixed or determinable payments that the management has the positive intention and ability to hold to maturity.

##### 2. Measurement of financial instruments

The Company measures its financial instruments at fair value on initial recognition. Subsequent measurements are classified as: Financial assets at fair value through profit or loss, available-for-sale financial assets and financial liabilities at fair value through profit or loss are measured at fair value; held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost; Investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets or derivative financial liabilities that are linked to and settled by delivery of such equity instruments, are measured at cost. Gains or losses resulting from changes in the fair value of the Company's financial assets or financial liabilities during the subsequent measurement, other than those in relation to hedging, are treated as follows: (i) Gains or losses arising from changes in the fair value of financial assets or financial liabilities at fair value through profit or loss are included in profit or loss from changes in fair value. (ii) Changes in the fair value of available-for-sale financial assets are included in other comprehensive income.

##### 3. How the Company determines the fair value of financial instruments

Where there is an active market for a financial instrument, the Company uses quoted prices in the active market to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market. Valuation techniques mainly include market method, income method and cost method.

#### 4. Basis for recognition and method for measurement of transfers of financial asset liabilities

A financial asset is derecognised when substantially all the risks and rewards of ownership of the financial asset are transferred, or when control over the financial asset is given up without transferring or retaining substantially all the risks and rewards of ownership of the financial asset. If the transfer of a financial asset satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received for the transfer and the cumulative amount of changes in fair value that would otherwise be recognised directly in other comprehensive income is recognised in profit or loss for the period. When the partial transfer of a financial asset satisfies the derecognition conditions, the total carrying amount of the financial asset transferred is allocated between the derecognised portion and the not-derecognised portion in proportion to their respective fair values.

A financial liability or part thereof is derecognised when the present obligation of the financial liability is discharged in whole or in part.

#### 5. Impairment of financial assets

When a financial asset measured at amortised cost is impaired, a provision for impairment is made for the difference between the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and its carrying amount. If there is objective evidence that the value of the financial asset has recovered and it can be objectively attributable to an event occurring after the loss is recognised, the impairment loss originally recognised is reversed and recognised in profit or loss for the period.

When a financial asset measured at cost is impaired, a provision for impairment is made for the difference between the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and its carrying amount. Once occurred and recognised, an impairment loss is not reversed.

When there are objective evidences that an available-for-sale financial asset is impaired, the cumulative losses arising from a decline in fair value previously recognised directly in shareholders' equity are reversed and recognised in impairment loss. For investments in available-for-sale debt instruments for which an impairment loss has been recognised, if the fair value subsequently increases and the increase can be objectively attributable to an event occurring after the original impairment loss is recognised, the impairment loss previously recognised is reversed and recognised in profit or loss for the period. For investments in available-for-sale equity instruments for which an impairment loss has been recognised, the subsequent increase in its fair value is recognised directly in shareholders' equity.

For investments in equity instruments, the Company determines the specific quantitative criteria for a "significant" or "other-than-temporary" decline in fair value, the method for cost calculation, the method for determining closing fair value, and the basis for determining the period of sustained decline as follows:

Specific quantitative criteria for a "significant" decline in fair value	The decrease in closing fair value relative to the cost has reached or exceeded 50%
Specific quantitative criteria for an "other-than-temporary" decline in fair value	There has been a decline for 12 consecutive months.
Method for cost calculation	On acquisition, the cost of an investment is measured as the sum of the consideration paid (net of cash dividends declared but not yet paid or interest on bonds that are due but not yet collected) and related transaction costs.
Method for determining closing fair value	Where there is an active market for a financial instrument, the Company uses quoted prices in active markets to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market.
Basis for determining the period of sustained decline	A sustained downward trend or a rebound of less than 20% during the duration of the downward trend with the duration of the rebound not exceeding 6 months, is regarded as a sustained downward period.

## (11) Receivables

The Company's receivables consist primarily of notes and accounts receivable, long-term receivables and other receivables. Where there is objective evidence of impairment on the balance sheet date, the Company recognises an impairment loss based on the difference between the carrying amount and the present value of estimated future cash flows.

## 1. Receivables with individually significant amounts and subject to separate/individual bad debt provision

Judgemental basis or monetary criteria for individually significant amounts	Receivables of RMB1 million and above
Provision method(s) for receivables with individually significant amounts and subject to separate/individual bad debt provision	An impairment loss is recognised for the difference between its carrying amount and the present value of its estimated future cash flows; For those individually tested but not impaired, a provision is made on the basis of ageing analysis over ageing-based credit risk groups.

## 2. Receivables subject to provision in group

Basis for grouping	Nature of amount and risk characteristics
Connected party-based grouping	The grouping is based on the connected parties included in the scope of the consolidation.
Ageing-based grouping	Receivables are grouped based on ageing, except for connected party groups, receivables with individually significant amounts and subject to separate/individual bad debt provision and receivables with individually insignificant amounts but subject to separate/individual bad debt provision.
Method of provision for bad debts by group	
Connected party-based grouping	A separate impairment test is performed and an impairment loss is recognised for the difference between its carrying amount and the present value of its estimated future cash flows.
Ageing-based grouping	The ageing analysis method is applied.

Within the group, the provisions for bad debts are made using the ageing analysis:

Ageing	Ratio for accounts receivable (%)	Provision ratio for other receivables (%)
Within 1 year (inclusive)	5	5
1 to 2 years	10	10
2 to 3 years	30	30
3 to 4 years	50	50
4 to 5 years	80	80
More than 5 years	100	100

In the group, provision for bad debts is made using other methods for:

Group Name	Method Description
Connected party-based grouping	A separate impairment test is performed and, where there is objective evidence of impairment, an impairment loss is recognised for the shortfall of the present value of its estimated future cash flows below its carrying amount, and a bad debt provision is made. No provision for bad debts is made if no impairment is identified after the test.



2. Receivables with individually insignificant amounts but subject to separate/individual bad debt provision

Reasons for separate/individual provision	The accounts are relatively old and there is objective evidence of impairment.
Method of provision for bad debts	Based on the shortfall of the present value of its future cash flows below its carrying amount, an impairment loss is recognised and a provision for bad debts is made. For those individually tested but not impaired, a provision is made on the basis of ageing analysis over ageing-based credit risk groups.

(12) Inventories

1. Classification of inventories

Inventories means, among others, finished goods or merchandise held for sale in the ordinary course of business, unfinished products in the process of production, materials or supplies used in the process of production or rendering of services. These include, among others, raw materials, packaging, low-value consumables, in-process products and finished goods (inventory goods).

2. Accounting method for dispatching inventories

When inventories are dispatched, the weighted-average method is used to determine the actual cost of the dispatch.

3. Method of provision for decline in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realisable value. The provision for decline in value of inventories is made on an item-by-item basis. The provision for decline in the value of inventories with large quantity and of low unit cost is made according to their inventory category.

4. Inventory count system

The Company adopts a perpetual inventory count system.

5. Amortisation of low value consumables and packaging materials

Low-value consumables and packaging materials are amortised using one-off method.

(13) Long-term equity investments

1. Determination of initial investment cost

For long-term equity investment acquired through business combination, if under common control, the initial investment cost of the long-term equity investment represents the proportion of the carrying value of net assets acquired from the acquiree in the consolidated financial statements of the ultimate controlling party on the date of acquisition; if not under common control, the initial investment cost of long-term equity investment represents the combination cost determined on the date of acquisition; For long-term equity investments acquired by payment in cash, the initial investment cost represents the purchase price actually paid; For long-term equity investments acquired through the issue of equity securities, the initial investment cost represents the fair value of the equity securities issued; For the long-term equity investment acquired through debt restructuring, the initial investment cost of the long-term equity investment is determined in accordance with the relevant provisions of ASBE No. 12 - "Debt Restructuring"; For long-term equity investments acquired in exchange for non-monetary assets, the initial investment cost is determined in accordance with the relevant provisions of ASBE No. 7 - "Non-monetary Asset Exchanges".

2. Subsequent measurement and recognition of profit or loss

Where the Company has control over an investee, the long-term equity investment in such investee shall be measured using the cost method. Long-term equity investments in associates and joint ventures shall be measured using the equity method. If a portion of the Company's equity investment in an associate is held indirectly through a venture capital entity, mutual fund, trust company or similar entity (including an investment-linked insurance fund), the Company shall, regardless of whether the above entities have significant influence over this portion of the investment, elect to measure the portion of the investment held indirectly at fair value through profit or loss in accordance with the relevant provisions of ASBE 22 - Recognition and Measurement of Financial Instruments, with the remainder accounted for using the equity method.

3. Basis for determination of common control and significant influence over an investee:

Common control over an investee means that decisions on activities that materially affect the return on an arrangement must be made with the unanimous consent of the participants sharing control, including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities; Significant influence over an investee refers to the following circumstances: when holding more than 20% but less than 50% of the shares with voting rights in the investee; or even if the shareholding is below 20%, there is still significant influence if any of the following conditions is met: hold a seat or more in the board of directors or similar governing body of the investee; Participate in the policy development process of the investee; Assign key management personnel to the investee; the investee relies on the technology or technical information of the investor; there are major transactions with the investee.

#### (14) Investment properties

The Company's investment properties are classified as land use rights for lease, buildings for lease and land use rights held for transfer upon appreciation. Investment properties are measured initially at cost and subsequently using the fair value model.

The Company accounts for the depreciation of buildings for lease among its investment properties using the straight line method, of which the specific accounting policies are the same as those for fixed assets. Buildings for lease and land use rights held for transfer upon appreciation among investment properties are amortised using the straight line method, of which the specific accounting policies are the same as those for fixed assets.

#### (15) Fixed assets

##### 1. Criteria for recognition of fixed assets

Fixed assets are tangible assets held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognised when the following criteria are all met: it is likely that the economic benefits associated with the fixed asset will flow to the Company; the cost of the fixed asset can be measured reliably.

##### 2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified as: buildings and structures, machinery and equipment, means of transportation, and gas transmission facilities among others; The fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Categories of Assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures (Note:)	30—70	3	1.39 - 3.23
Machinery and equipment	8—20	3	4.85—12.13
Means of Transportation	6—10	3	9.70—16.17
Gas Transmission Facilities	14—30	3	3.23—6.93
Other	3—5	3	19.40—32.33

Notes: If the land on which the buildings and structure of the natural gas operation of the Company are located is leasehold land and it is not possible to obtain a title deed for the buildings and structure, the land is amortised based on the lease term in the land lease contract executed and the estimated net residual value is zero.

##### 3. Basis for Recognition and Method for Pricing of Fixed Assets Leased in under Finance Lease

Fixed assets leased-in under finance lease are leases that transfer substantially all the risks and



rewards associated with ownership of the assets. The initial valuation of a fixed asset leased in under finance lease is the lower of the fair value of the leased asset and the present value of the minimum lease payments at the commencement date of the lease; The subsequent measurement of the fixed asset leased in under finance lease is consistent with the accounting policies adopted for self-owned fixed assets in respect of depreciation and provision for impairment.

(16) Construction in progress

The Company has two types of construction in progress: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. The criteria for determining the readiness for its intended use shall be one of the following: the physical construction (including installation) of the fixed asset has been fully or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate properly or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; the amount of further expenditure on the fixed asset constructed is minimal or almost no longer occurs; The fixed asset acquired have met the design or contractual requirements, or are substantially in conformity with the design or contractual requirements.

(17) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalisation are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses as incurred and recognised in profit or loss for the period based on the amount incurred. Assets qualified for capitalisation are fixed assets, investment properties and inventories that require a substantial period of acquisition, construction or production activity to reach their intended useable or saleable condition.

2. Calculation of capitalisation amount

A capitalisation period refers to a period from the point at which a borrowing cost starts to be capitalised to the point at which it ceases to be capitalised. The period during which the borrowing cost suspend its capitalisation is not included. The capitalisation of the borrowing cost shall be suspended when the acquisition and production activities are interrupted abnormally for a period of more than three months.

For specific borrowings, the capitalised amount shall be the actual interest expense incurred for the specific borrowings, less the interest income from the unused funds of the borrowings deposited in bank or investment income from the temporary investments; for general borrowings, the weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from specific borrowings times the capitalization rate of the general borrowings so occupied; for borrowings with discount or premium, the discount or premium was amortised over the term of the borrowings to adjust the interest in every period using effective interest rate method.

The effective interest method is based on the effective interest rate of the borrowings to calculate the amortisation of discount or premium or interest expense. The effective interest rate is the rate in discounting the estimated future cash flows throughout the expected life of the borrowings to the current carrying amount of the borrowings.

(18) Intangible assets

1. Method for Valuation of Intangible Assets

The Company's intangible assets are initially measured at cost. Intangible assets acquired are measured at actual cost based on the actual price paid and related expenses. The actual cost of intangible assets contributed by investors is determined at the value agreed in the investment contract or agreement, unless the value agreed in the contract or agreement is not fair, where the actual cost is determined at fair value. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

The Company's intangible assets are measured subsequently as follows: Intangible assets with finite useful lives are amortised using the straight-line method; at the end of each year, the useful lives and amortization policy of the intangible assets are reviewed, and adjusted accordingly if any difference from the original estimates are identified; Intangible assets with infinite useful lives are not amortised, but their useful lives are reviewed at the end of the year and when there is conclusive

evidence that their useful lives are finite, they are amortised on a straight-line basis after their useful lives are determined.

#### 2. Basis for determination of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The basis for determination of infinite useful life is the useful life is derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; The duration of the intangible asset's economic benefit to the Company cannot be determined based on a combination of industry conditions or relevant expert opinions.

At the end of each year, the useful lives of intangible assets with infinite useful lives are reviewed, mainly on a bottom-up basis, by the departments concerned with the use of intangible assets, to evaluate whether there are changes in the basis for the determination of infinite useful lives.

#### 3. Specific criteria for the research and development phases of internal research and development projects, and specific criteria for capitalisation of development phase expenditures

Expenditures during the development stage are transferred to intangible assets if the criteria for recognition of intangible assets are satisfied; Development stage expenditures that meet the criteria for recognition as intangible assets are transferred to intangible assets for accounting purposes.

#### (19) Impairment of long term assets

Long-term assets such as long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, productive biological assets measured under the cost model, oil and gas assets, intangible assets and goodwill are tested for impairment if there is any indication that such assets may be impaired on the balance sheet date. If, as a result of an impairment test, the recoverable amount of an asset is less than its book value, an impairment charge is made for the difference and included in the impairment loss.

The recoverable amount is the higher of the asset's net fair value less disposal expenses and the present value of the asset's estimated future cash flows. The asset impairment charge is calculated and recognised on an individual asset basis. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of that asset group is determined by reference to the asset group to which that asset group belongs. An asset group is the smallest group of assets that can generate cash inflows independently.

Goodwill that is separately presented in the financial statements is tested for impairment at least annually, irrespective of whether there is any indication of impairment. On impairment testing, the carrying amount of goodwill is allocated to the asset group or group of asset groups that are expected to benefit from the synergies of the business combination. If the test indicates that the recoverable amount of the asset group or group of asset groups containing the goodwill being amortised is less than its carrying amount, a corresponding impairment loss is recognised. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or the group of asset groups, and then deducted from the book value of other assets within the asset groups or the group of asset groups in proportion to the book value of other assets.

An impairment loss of the above assets once recognised shall not be reversed in a subsequent period.

#### (20) Long-term deferred expenses

The Company's long-term deferred expenses are expenses that have been paid but the benefit period is over one year (not inclusive). Long-term deferred expenses are amortised over the benefit period. If a long-term deferred expense cannot benefit the future accounting period, the residue value of such item not amortised yet shall be all transferred to the profit or loss in the current period.

#### (21) Employee Benefits

Employee benefits are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

##### 1. Short-term Benefits

In the period of employee services, short-term benefits actually incurred are recognised as liabilities in profit or loss for the period, or charged to costs of related assets if otherwise required or permitted by ASBEs. At occurrence, the Company recognises employee benefits in profit or loss for

the period or charges to the costs of related assets as incurred. Employee benefits are measured at fair value if they are non-monetary in nature. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company shall calculate and recognise the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognise the corresponding liabilities in the accounting period in which employees render service, and recognise the same in profit or loss for the period or charge to costs of related assets.

#### 2. Post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution plan shall be recognised as a liability in profit and loss of current period or charged to the cost of related assets. Benefit obligations arising from defined benefit plans are attributed to employees over the period in which they render services and are included in profit or loss for the period or charged to the cost of the related assets in accordance with a formula determined under the projected unit credit method.

#### 3. Termination benefits

Termination benefits provided to employees by the Company are recognised as employee benefit liabilities arising from the termination benefits in profit or loss for the period at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and when the Company recognises costs for restructuring involving the payment of termination costs.

#### 4. Other long-term staff benefits

Other long-term employee benefits provided by the Company to its employees that meet the criteria of the defined contribution plan are accounted for in accordance with the relevant provisions of the defined contribution plan; In addition, the Company recognises and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

#### (22) Estimated liabilities

If an obligation in relation to contingency is the present obligation of the Company, the performance of such obligation is likely to lead to an outflow of economic benefits and its amount can be reliably measured, such obligation shall be recognised as estimated liabilities. The initial measurement is based on the best estimate of the expenditure required for the performance of current obligation. When the necessary expenditures fall within a range and the probability of each result in the range is identical, the best estimate which is the median of the range shall be recognised; if there are several items involved, every possible result and its relevant probability are taken into account for the best estimate to be recognised.

On the balance sheet date, the carrying amount of estimated liabilities shall be reviewed. If there is solid evidence that the carrying amount cannot reflect truly the current best estimate, the carrying amount shall be adjusted according to the current best estimate.

#### (23) Other Financial Instruments, such as Preference Shares and Perpetual Bonds

##### 1. Distinction between financial liabilities and equity instruments

Preference shares, perpetual bonds (such as long-term option-embedded MTNs), stock options and convertible corporate bonds issued by the Company are classified as financial liabilities or equity instruments on the following principles:

(1) Settlement by delivery of cash or other financial assets or exchange of financial assets or financial liabilities. If the Company cannot unconditionally avoid the delivery of cash or other financial assets to perform a contractual obligation, the contractual obligation is in line with the definition of financial liabilities.

(2) Settlement with its own equity instruments. A financial instrument is a financial liability of the Company if it is issued as a substitute for cash or other financial assets when the instrument is required to be, or may be, settled with the Company's own equity instruments; The instrument is the Company's equity instrument if it is intended to enable the holder of the instrument to enjoy residual interests in the Company's assets net of all liabilities.

(3) For the classification of financial instruments that will be required to be, or may be,

settled with the Company's own equity instruments in the future, a distinction shall be made between derivative and non-derivative instruments. For non-derivative instrument, a non-derivative instrument is an equity instrument if the Company has no future obligation to deliver a variable amount of its own equity instruments for settlement; Otherwise, the non-derivative instrument is a financial liability. For derivative instrument, a derivative instrument is an equity instrument if the Company can only settle it by exchanging a fixed amount of its own equity instrument for a fixed amount of cash or other financial assets; If the Company exchanges a fixed amount of its own equity instruments for a variable amount of cash or other financial assets, or a variable amount of its own equity instruments for a fixed amount of cash or other financial assets, or a variable amount of its own equity instruments for a variable amount of cash or other financial assets when the conversion price is not fixed, the derivative instrument shall be recognised as a financial liability or financial asset.

## 2. Accounting treatment for preference shares and perpetual bonds

The Company accounts for financial instruments classified as financial liabilities under "Bonds Payable", and during the life of the instrument, interest is accrued and adjustments are made to the interest adjustment on the account among others in accordance with the provisions of the Standard on the Recognition and Measurement of Financial Instruments relating to the subsequent measurement of financial liabilities at amortised cost. The Company accounts for financial instruments classified as equity instruments under "Other Equity Instruments" and dividends (including interest on instruments classified as equity instruments) distributed over its life are treated as profit distribution.

### (24) Revenue

#### 1、Sales of goods

Revenue from the sale of goods is recognised on the basis of the amount of contractual or agreed prices received or receivable from purchasers when the following criteria are also satisfied: (1) the company has transferred to a purchaser the key risks and rewards of ownership of the goods; (2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the enterprise; (5) the associated costs incurred or to be incurred can be measured reliably.

If contractual or agreed price is received on a deferred basis and is financing in nature, the amount should be recognised as the fair value of the receivable contractual or agreed price.

The Company's specific criteria for recognising revenue from the sale of goods:

The same day revenue recognition method is adopted for the sale of natural gas at the gas refuelling stations of the company; The prepayment method is adopted for the sale of natural gas through its pipeline network, whereby the Company bills a customer for the actual quantity of gas used and the customer signs the bill, which is used by the Company to recognise the revenue and to deduct the amount from the payment received upfront from the customer.

Revenue from the sale of goods other than the above-mentioned products is recognised when the goods are shipped and receipt confirmations are received from customers.

#### 2、Provision of services

Revenue from provision of services is recognised using the percentage of completion method if the result of the provision of services can be estimated reliably on the balance sheet date. The Company determines the progress of completion of service transactions based on the proportion of costs already incurred to the estimated total costs.

Where the outcome of provision of services cannot be estimated reliably on the balance sheet date, the revenue is recognised as follows: (1) If the cost incurred is expected to be recoverable, income is recognised to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; (2) If the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss for the period and no service revenue is recognised.

Specific criteria for recognition of income from the provision of labour by the Company:

Revenue from gas connection business is recognised when the completion of the connection project has been confirmed by the customer, the project has reached the readiness for gas supply and

the project acceptance formalities have been completed.

### 3、Transfer of Right to Use an Asset

Revenue from transfer of right to use an asset is recognised when it is likely that relevant economic benefits will flow to the Company, and the amount of revenue can be measured reliably.

#### (25) Government grants

##### 1. Types of government grants and accounting treatment

Government grants are monetary or non-monetary assets (but not capital contributed by the government as an owner) that the Company receives from the government at no cost. Government grants that are monetary assets shall be measured at the amount received or receivable. Government grants that are non-monetary assets are measured at fair value; If the fair value cannot be reliably obtained, it is measured at the nominal amount.

Government grants related to normal business course are included in other income in accordance with the nature of the economic operations. Government grants that are not related to normal business course are included in non-operating income and expenses.

Government grants that are explicitly provided in government documents for the acquisition or other formation of long-term assets are recognised as asset-related government grants. For a grant where the subject of the grant is not explicit specified in the government document, the part of the government grant corresponding to the value of the asset is treated as asset-related government grant and the rest as revenue-related government grant if it can form a long-term asset; For a grant that is not easily distinguishable, the government grant in a whole is treated as revenue-related government grant. Assets-related government grants are recognised as deferred income. The amount recognised as deferred revenue shall be recognised in profit or loss for the period by installments in a reasonable and systematic way over the useful life of the relevant assets.

Government grants other than asset-related ones are recognised as revenue-related government grants. Revenue-related grants used to compensate the related expenses or losses of the Company in subsequent periods are recognised as deferred revenue in profit or loss for the period when the related expenses are recognised; Government grants intended to cover related expenses or losses already incurred by the Company are directly recognised in profit or loss for the period.

In the event that the Company has policy-based preferential loan interest discount, if the fiscal authority allocates the subsidy for interests to the lending bank that grants loans to the Company at a preferential policy rate, and the Company recognises the borrowing at the amount actually received from the bank and calculates relevant borrowing costs based on the principal of the loan and the preferential policy rate; If the subsidy for interests are paid directly to the Company, the Company reduces the related borrowing costs by the amount of the corresponding subsidy for interests.

##### 2. Timing of recognition of government grants

A government grant is recognised when the conditions attached to the government grant can be met and the grant is received or receivable. A government grant measured at the amount receivable is recognised when there is unambiguous evidence suggesting the satisfaction of the attached conditions as set out in the fiscal support policy and the grant fund is expected to be received. Government grants other than those measured at the amount receivable will be recognised at the actual time of receiving such grants.

#### (26) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount of assets and liabilities and its tax base (for items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognised as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available to offset deductible temporary differences. On the balance sheet date, deferred tax assets unrecognised in prior periods are recognised to the extent that there is obvious evidence that it has become likely that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised.

3. For taxable temporary difference related to the investments in subsidiaries and associates, the deferred income tax liabilities are recognised unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. For deductible temporary difference related to the investments in subsidiaries and associates, deferred income tax assets are recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and it is probable that future taxable income will be available against which the deductible temporary differences can be used.

(27) Lease

1. Accounting treatment method of operating leases Rental expense under operating lease is charged to the cost of the related assets or recognised in profit or loss for the period on a straight-line basis over the lease term.

2. Accounting treatment method of finance Leases The lower of the fair value of a leased-in asset and the present value of its minimum lease payments is used as the carrying amount of the leased-in asset. The difference between the carrying amount of the leased-in asset and the minimum lease payments is accounted for as an unrecognised finance expense and is amortised over the lease term using the effective interest method. The balance of the minimum lease payments after deducting the unrecognised finance charges is presented as long-term payables.

(28) Held for sale and discontinued operations

The Company classifies non-current assets or disposal groups as held for sale if both of the following criteria are satisfied: (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions; (2) Sale is highly likely. That is to say, the Company has resolved on a plan to sell and has received a firm commitment to purchase, and the sale is expected to be completed within one year. If the regulations require the Company to have the approval of the relevant authority or supervisory authority before the sale can take place, such approval shall have been obtained.

If the carrying value of a non-current asset held for sale or disposal group is greater than the net value of its fair value less costs of sale as measured at its initial measurement or as remeasured on the balance sheet date, the carrying amount is written down to the net value of fair value less cost of sale, and the amount of the write-down shall be recognised as an impairment loss on the asset in profit or loss, and an impairment charge on the asset held for sale is recognised.

Non-current assets held for sale or assets in the disposal group held for sale are presented as held-for-sale assets in the balance sheet, and liabilities in the disposal group held for sale are presented as held-for-sale liabilities.

A discontinued operation is a separately identifiable component that satisfies one of the following conditions and which has been disposed of by the Company or classified by the Company as held for sale:

1. the component represents a separate principal business or a separate major business region;
2. This component is part of an associated plan to dispose of a separate principal business or a separate major business region;
3. The component is a subsidiary acquired specifically for resale.

(29) Notes on changes in significant accounting policies and accounting estimates

On 15 June 2018, the Ministry of Finance promulgated the Circular on Revised Format of General Financial Statements of Enterprises for 2018 (Cai Kuai [2018] No. 15) and the enterprises who adopt ASBEs should prepare financial statements for 2018 and subsequent periods in accordance with the requirement of ASBEs and the Notice.



The main effects of the Company's implementation of the Circular Cai Kuai [2018] No. 15 are as follows:

Scope and reasons of changes in accounting policies	Name of items affected in the financial statements	Amount of statement items affected during the period	Amount restated from previous period	Items and amounts presented in the prior period
1. Notes receivable and accounts receivable are combined for presentation	Notes receivable and accounts receivable	361,125,145.24	340,865,198.29	Notes receivables: RMB 28,554,923.15 Accounts receivable: RMB312,310,275.14
2. Interest receivable and dividends receivable are presented under other receivables	Other receivables	183,521,108.23	220,305,227.02	Interest receivable: RMB0.00 Dividend receivable: RMB6,434,872.26 Other receivables: RMB213,870,354.76
3. Notes payable and accounts payable are combined for presentation	Notes payable and accounts payable	1,017,975,578.49	533,606,121.87	Notes payable: RMB60,000,000.00 Accounts payable: RMB473,606,121.87
4. Interest payable and dividends payable are presented under other payables	Other payables	157,531,995.54	80,615,071.65	Interest payable: RMB 2,036,636.85 Dividend payable: RMB1,497,902.15 Others payables: RMB77,080,532.65
5. Adjustments to the presentation of administrative expenses	Administrative expenses	132,377,671.12	119,933,452.21	Management fee: RMB141,092,033.59
6. R&D expenses are presented separately	R&D expenses	17,663,318.65	21,158,581.38	Administrative expenses: RMB141,092,033.59

#### IV. Taxation

##### (1) Major taxes and tax rates

Taxes	Tax basis	Tax rate
VAT	Sales tax less deductible input tax	11%、13%、16%、17%
Urban maintenance and construction tax	Actual amount of turnover tax payable	5%、7%
Education surcharge	Actual amount of turnover tax payable	3%
Local education surcharge	Actual amount of turnover tax payable	2%
Enterprise income tax	Income tax payable	15%、25%

Name of taxpayer	Income Tax Rate
Shandong Shengli Co., Ltd.	25%
Shandong Shengbang Plastic Co., Ltd.	15%
Shaanxi Huashan Shengbang Plastic Co., Ltd.	15%
Chongqing Shengbang Gas Co., Ltd.	15%
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	15%
Other Companies	25%

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### (2) Important Tax Preferential Treatments and Approval Documents

Shandong Shengbang Plastics Co., Ltd., a subsidiary of the Company has passed the certification of high-tech enterprise and obtained the certificate of high-tech enterprise, and the enterprise income tax for 2018 was calculated and paid at a tax rate of 15%.

Chongqing Shengbang Gas Co., Ltd, Qinzhou Shengli Natural Gas Utilization Co., Ltd and Shaanxi Huashan Shengbang Plastics Co., Ltd, subsidiaries of the Company have been approved to enjoy the preferential taxation policy for encouraging the development of industrial projects in the western region, and the enterprise income tax for 2018 was calculated and paid at a 15% tax rate.

## V. Notes to the key items of the consolidated financial statements

### (1) Monetary Funds

#### 1、Breakdown of monetary funds

Categories	Closing balance	Opening balance
Cash	997,192.45	1,068,023.40
Bank deposit	461,960,944.25	499,635,687.68
Other cash at bank and on hand	556,980,099.75	102,673,668.13
<b>Total</b>	<b>1,019,938,236.45</b>	<b>603,377,379.21</b>

#### 2、Other monetary funds

Categories	Closing balance	Opening balance
Banker's Acceptance Draft Security Deposit	315,000,000.00	30,000,000.00
Letter of Credit Security Deposit	40,980,099.75	17,173,668.13
Certificate of deposit	201,000,000.00	55,500,000.00
<b>Total</b>	<b>556,980,099.75</b>	<b>102,673,668.13</b>

Notes: Included in other monetary funds at the end of the period were RMB275,000,000,000 in Banker's Acceptance Draft Security Deposit due over three months, RMB189,000,000.00 in certificate of deposit due over three months and RMB4,000,000.00 in for letters of credit security deposit due over three months, which were not reflected as cash and cash equivalents.

### (2) Notes receivable and accounts receivable

Categories	Closing balance	Opening balance
Notes receivable	40,900,821.06	28,554,923.15
Accounts receivable	447,905,433.32	437,289,955.01
Less: Bad debt provision	127,681,109.14	124,979,679.87
<b>Total</b>	<b>361,125,145.24</b>	<b>340,865,198.29</b>



## 1. Notes receivable

Categories	Closing balance	Opening balance
Banker's acceptance bill	35,100,821.06	25,629,923.15
Commercial acceptance bill	5,800,000.00	2,925,000.00
Less: Bad debt provision		
Total	40,900,821.06	28,554,923.15

Notes receivable endorsed and derecognised at the end of the period but not yet due on the balance sheet date

Categories	Amount derecognised
Banker's acceptance bill	106,041,361.66
Total	106,041,361.66

Notes: There was no pledged notes receivable at the end of the period.

## 2. Accounts receivable

Categories	Closing balance			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individually significant amounts and subject to separate/individual bad debt provision				
Accounts receivable with provision for bad and doubtful debts on a group basis	447,905,433.32	100.00	127,681,109.14	28.51

Categories	Closing balance			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Receivables with individually insignificant amount but subject to separate/individual bad debt provision				
Total	447,905,433.32	100.00	127,681,109.14	28.51

Categories	Opening balance			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individually significant amounts and subject to separate/individual bad debt provision				
Accounts receivable with provision for bad and doubtful debts on a group basis	437,289,955.01	100.00	124,979,679.87	28.58
Receivables with individually insignificant amount but subject to separate/individual bad debt provision				
Total	437,289,955.01	100.00	124,979,679.87	28.58

## (1) Accounts receivable with provision for bad and doubtful debts on a group basis

Accounts receivable for which provision for bad debts is made on an ageing basis

Ageing	Closing balance			Opening balance		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Less than 1 year	288,656,851.52	5.00	14,432,842.59	305,465,156.32	5.00	15,273,257.85
1 to 2 years	45,437,499.23	10.00	4,543,749.93	18,209,610.09	10.00	1,820,961.01
2 to 3 years	4,873,437.85	30.0	1,462,031.36	4,001,762.84	30.0	1,200,528.86
3 to 4 years	1,901,340.40	50.00	950,670.20	4,717,498.74	50.00	2,358,749.38
4 to 5 years	3,722,446.28	80.00	2,977,957.02	2,848,721.24	80.00	2,278,976.99
More than 5 years	103,313,858.04	100.00	103,313,858.04	102,047,205.78	100.00	102,047,205.78
Total	447,905,433.32		127,681,109.14	437,289,955.01		124,979,679.87

(2) The amount of bad debt provision made during the period was RMB2,685,361.15.

(3) Five largest accounts receivable by debtor at the end of the period

Entity name	Closing balance	Percentage in total closing accounts receivable (%)	Bad debt provision balance
Shengbang Plastic Pipeline System Group Co., Ltd.	60,539,091.82	13.52	60,539,091.82
Bazhou Municipal People's Government	21,855,130.00	4.88	1,092,756.50
Bazhou Construction Bureau	9,232,026.24	2.06	524,989.52
Shaanxi Urban Gas Industry Development Co., Ltd.	8,680,376.00	1.94	434,018.80
China Gas Materials Supply Chain Management (Shenzhen) Co., Ltd.	8,825,189.63	1.97	441,259.48
Total	109,131,813.69	24.37	63,032,116.12

## (3) Prepayments

1. Prepayments are presented by ageing

Ageing	Closing balance			Opening balance		
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	Bad debt provision
Less than 1 year	146,322,795.08	99.34		107,844,592.48	99.46	
1 to 2 years	792,315.39	0.54		498,383.28	0.46	
2 to 3 years	152,524.68	0.10		55,321.30	0.05	
More than 3 years	32,899.55	0.02		32,899.55	0.03	
Total	147,300,534.70	100.00		108,431,196.61	100.00	

There were no significant prepayments aged over one year at the end of the period.

2. Top 5 entities in terms of balance of prepayments

Entity name	Closing balance	Percentage of total prepayments (%)
PetroChina Company Limited Hebei Natural Gas Sales Branch	50,565,308.00	34.33
Xinao Energy Trade Co., Ltd.	7,625,487.85	5.18
Zibo Lvbo Gas Co., Ltd.	7,105,036.34	4.82
Dongying Daoyuan Petrochemical Co., Ltd.	4,983,268.20	3.38
Qingdao Yi'anda International Logistics Broker Co., Ltd.	4,752,784.96	3.23
Total	75,031,885.35	50.94

(4) Other receivables

Categories	Closing balance	Opening balance
Dividend receivable		6,434,872.26
Other receivables	275,027,838.73	284,744,310.00
Less: Bad debt provision	91,506,730.50	70,873,955.24
Total	183,521,108.23	220,305,227.02

1、Dividend receivable

Item	Closing balance	Opening balance
Qingdao Kunlun Shengli Gas. Co., Ltd.		6,434,872.26
Total		6,434,872.26

2、Other receivables

Categories	Closing balance			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Other receivables with individually significant amounts and subject to separate/individual bad debt provision				
Other receivables for which bad debt provision is made in group	275,027,838.73	100.00	91,506,730.50	33.27
Other receivables with individually insignificant but subject to separate/individual bad debt provision				
Total	275,027,838.73	100.00	91,506,730.50	33.27

Categories	Opening balance			
	Book Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Other receivables with individually significant amounts and subject to separate/individual bad debt provision				
Other receivables for which bad debt provision is made in group	284,744,310.00	100.00	70,873,955.24	24.89
Other receivables with individually insignificant but subject to separate/individual bad debt provision				
Total	284,744,310.00	100.00	70,873,955.24	24.89

Other receivables for which bad debt provision is made in group

Other receivables for which provision for bad debts is made on an Ageing basis

Ageing	Closing balance			Opening balance		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Less than 1 year	21,445,386.38	5.00	1,072,269.33	176,740,705.50	5.00	8,837,035.26
1 to 2 years	149,690,987.85	10.00	14,969,098.79	28,795,843.17	10.00	2,879,584.32
2 to 3 years	28,492,122.71	30.0	8,547,636.82	5,746,987.45	30.0	1,724,096.23
3 to 4 years	5,670,535.62	50.00	2,835,267.82	31,751,768.42	50.00	15,875,884.22
4 to 5 years	28,231,742.19	80.00	22,585,393.76	758,251.24	80.00	606,600.99
More than 5 years	41,497,063.98	100.00	41,497,063.98	40,950,754.22	100.00	40,950,754.22
Total	275,027,838.73	—	91,506,730.50	284,744,310.00	—	70,873,955.24

2、The amount of bad debt provision made during the period was RMB20,485,273.99;

3、Other receivables by nature

Nature of amount	Closing balance	Opening balance
Borrowing and lending with investee companies (Note 1:)	41,424,520.11	41,258,248.46
Guaranteed payments on behalf of others (Note 2:)	20,065,391.67	20,065,391.67
Amount due from Shengbang Lvy (Note 3:)	146,170,659.26	163,904,938.29
Other	67,367,267.69	59,515,731.58
Total	275,027,838.73	284,744,310.00

Note 1: In January 2014, the Company transferred 55% equity interest of Shandong Shengli Bioengineering Co., Ltd, a wholly-owned subsidiary of the Company, to Zhongmu Industrial Co. Ltd. In accordance with the equity transfer agreement, both parties provided financial support to Shandong Shengli Bioengineering Co., Ltd. in proportion to their shareholdings and charged it a capital occupation fee at the bank loan interest rate for the same period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations. The balance for the period was RMB39,464,520.11. In addition, the Company provided financial support of RMB1,960,000.00 to Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd., in which the Company has a 49% equity interest, and the Company has performed the decision-making and

disclosure procedures on the matter in accordance with the regulations.

Note 2: The bank loan of RMB20,000,000.00 borrowed by Qingdao Tongyong Plastic Co., Ltd. ("Qingdao Tongyong Plastic") from China Merchants Bank, which was guaranteed by the Company, matured on 10 April, 2016, and as Qingdao General Plastics failed to repay the loan on maturity, the Company fulfilled its guarantee obligations in accordance with the guarantee agreement and paid the principal and interest of RMB20,065,391.67 on the loan. Under the agreement, Qingdao General Plastics provided a collateral-based counter-guarantee for the guarantee provided by the Company with the use rights to 30 mu of land it holds. The Company has pursued the claim through litigation proceedings and won the second trial. The auction procedure of the collateral assets by the court is in progress, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

Note 3: On 23 January 2017, the Company transferred its equity interest in Shandong Shengbang Lvyue Chemistry Co., Ltd., a subsidiary of the Company and recovered other receivables from that subsidiary by instalments, with RMB20,000,000.00 recovered in FY2018 in accordance with the agreement. The aggregate principal and interest balance of the remaining other receivables was RMB146,170,659.26 at the end of the period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

#### 4、Five largest other receivables by debtor at the end of the period

Name of debtors	Nature of amount	Closing balance	Ageing	percentage of total closing other receivables (%)	Bad debt provision balance
Shandong Shengbang Lvyue Chemistry Co., Ltd.	Borrowing and lending	146,170,659.26	Less than 1 year, 1 to 2 years	53.15	14,503,779.88
Shandong Shengli Bioengineering Co., Ltd.	Borrowing and lending	39,464,520.11	Less than 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years, 4 to 5 years	14.35	25,899,947.28
Qingdao Tongyong Plastic Co., Ltd.	Guaranteed payments on behalf of others	20,065,391.67	2 to 3 years	7.30	6,019,617.50
Shandong Province Petroleum Group Company	Long-aged Prepayments	2,382,557.70	More than 5 years	0.87	2,382,557.70
Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	Borrowing and lending	1,960,000.00	Less than 1 year	0.71	98,000.00
Total		210,043,128.74	-	76.38	48,903,902.36

#### (5) Inventories

##### 1、Classification of inventories

Type of inventories	Closing balance			Opening balance		
	Book Balance	Provisions for write-down	Carrying amount	Book Balance	Provisions for write-down	Carrying amount
Raw materials	169,759,056.39	11,116,644.05	158,642,412.34	95,836,063.05	11,116,644.05	84,719,419.00
Low value consumables	116,585.21		116,585.21	126,872.36		126,872.36
Products in process	172,952,016.69		172,952,016.69	172,683,549.37		172,683,549.37
Products in stock	121,669,506.89	7,437,834.71	114,231,672.18	161,933,694.49	7,437,834.71	154,495,859.78
Packaging	1,303,381.37		1,303,381.37	651,439.34		651,439.34
Total	465,800,546.55	18,554,478.76	447,246,067.79	431,231,618.61	18,554,478.76	412,677,139.85

## 2、Provision for depreciation of inventories

Type of inventories	Opening balance	Provision for the period	Decrease for the year		Closing balance
			Write off	Other	
Raw materials	11,116,644.05				11,116,644.05
Products in stock	7,437,834.71				7,437,834.71
Total	18,554,478.76				18,554,478.76

## Basis for provision for decline in value of inventories and reasons for reversal and write-off during the year

Item	Basis for determination of net realisable value	Reasons for write-off of provision for decline in value of inventories during the period	Reasons for other decrease of provision for decline in value of inventories during the period
Raw materials	Amount of sales achievable through sale of finished products manufactured with raw materials, less amount of further investment required to produce finished products and relevant taxes and expenses borne in connection with the realisation of sales		
Products in stock	The net amount of sales achievable through sale of products in stock less relevant taxes and expenses borne in connection with the realisation of sales.		

## (6) Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	53,891,909.89	57,529,797.26
Prepaid tax	2,453,575.37	129,736.87
Total	56,345,485.26	57,659,534.13

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(7) Available-for-sale financial assets

1、Information on available-for-sale financial assets

Item	Closing balance			Opening balance		
	Book Balance	Provisions for write-down	Carrying amount	Book Balance	Provisions for write-down	Carrying amount
Available-for-sale equity tools						
Where: Equity instruments measured at cost	99,369,466.26	22,104,199.27	77,265,266.99	99,369,466.26	22,104,199.27	77,265,266.99
Total	99,369,466.26	22,104,199.27	77,265,266.99	99,369,466.26	22,104,199.27	77,265,266.99

2、Breakdown of material investments in equity instruments measured at cost at the end of the period

Item	Closing balance			Opening balance			Ratio of ownership in the investee (%)	Cash dividends this period
	Book Balance	Provisions for write-down	Carrying amount	Book Balance	Provisions for write-down	Carrying amount		
Shandong Asset Management Co., Ltd.	35,492,885.28	16,204,199.27	19,288,686.01	35,492,885.28	16,204,199.27	19,288,686.01	11.25	
Bank of Qingdao	162,708.00		162,708.00	162,708.00		162,708.00	0.0052	16,777.40
Shandong Lihuasheng Automobile Sales Co., Ltd.	6,076,022.98		6,076,022.98	6,076,022.98		6,076,022.98	40.00	
Zibo Zichuan Beihai Rural Bank Co., Ltd.	4,500,000.00		4,500,000.00	4,500,000.00		4,500,000.00	9.00	
CNOOC Tianjin LNG Co., Ltd.	47,237,850.00		47,237,850.00	47,237,850.00		47,237,850.00	5.00	
Qingzhou Xinneng Natural Gas Co., Ltd.	5,900,000.00	5,900,000.00		5,900,000.00	5,900,000.00		41.00	
Total	99,369,466.26	22,104,199.27	77,265,266.99	99,369,466.26	22,104,199.27	77,265,266.99		16,777.40

3、Changes in impairment of available-for-sale financial assets during the reporting period

Classification of available-for-sale financial assets	Available-for-sale equity tools	Total
Opening impaired balance	22,104,199.27	22,104,199.27
Provision for the period		
Where: Transfer from other comprehensive income		
Decrease during the period		
Closing impaired balance	22,104,199.27	22,104,199.27

## (8) Long-term equity investments

Investor	Opening balance	Changes in the period						Closing balance	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits		
Associates:									
Qingdao Shengong Coastal Real Estate Development Co., Ltd.	340,769,615.51			22,087,902.23				362,857,517.74	
Shandong Shengli Bioengineering Co., Ltd.	138,359,319.34			33,333,750.49			171,693,069.83		
Shandong Kunlun Shengli Energy Co., Ltd.	25,661,524.60			86,939.19			25,748,463.79		
Shandong Shengbang Plastic Pipeline System Co., Ltd.	0.00								
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	38,510,293.48			-927,281.50			37,583,011.98		
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	55,895,015.47			8,240,629.39		9,000,000.00	55,135,644.86		
Qingdao PetroChina Kunlun Energy Co., Ltd.	13,403,021.41			-356,610.48			13,046,410.93		
Qingdao PetroChina Kunlun Shengli Gas Co., Ltd. (Note: )	113,209,708.82			157,928.66		133,527.70	101,862,359.67	11,638,805.51	25,868,518.27
Guangxi Shengli Sunran Energy Co., Ltd.	4,803,898.75		5,545,730.79	741,832.04			10,247,077.20		
Shenxian County PetroChina Kunlun Gas Co., Ltd.	10,832,031.86			-584,954.66			778,173,556.00	11,638,805.51	
Total	741,444,429.24		5,545,730.79	62,780,135.36		133,527.70	778,173,556.00	11,638,805.51	25,868,518.27

Notes: The Company held an equity interest of 49% in Qingdao PetroChina Kunlun Shengli Gas Co., Ltd., the results of which were worse than the estimated profitability on the date of acquisition under the income method. The Company appointed an asset appraiser to reassess the value of the investment and, in accordance with the accounting standards and relevant documents on disclosure of information by listed companies on the Main Board, a provision of RMB11,638,805.51 was made for the amount by which the appraised value of the investment was lower than the carrying amount.



## (9) Investment properties

Investment properties measured at fair value

Item	Buildings and constructions
I. Opening balance	88,437,672.60
II. Movements during the period	
Changes in fair value	-6,049,878.60
III. Closing balance	82,387,794.00

Notes: The Company's buildings located at Haikou Road, Shi Nan District, Qingdao City is accounted for as investment property and the fair value of such asset is determined in accordance with the real estate appraisal report No. (2019) Qingheng Real Estate Appraisal 041 issued by Qingdao Hengyuande Real Estate Appraisal Co. Ltd.

## (10) Fixed assets

Categories	Closing balance	Opening balance
Fixed assets	1,468,810,122.59	1,056,992,198.29
Disposal of fixed assets		
Less: Provision for impairment	2,931,076.51	
Total	1,465,879,046.08	1,056,992,198.29

## 1、Fixed assets

Item	Buildings and constructions	Machinery and equipment	Means of Transportation	Gas Transmission Facilities	Other	Total
I. Original carrying amount						
1. Opening balance	180,906,445.00	531,563,826.17	101,999,361.57	580,275,864.87	18,250,451.94	1,412,995,949.55
2. Increase during the period	80,047,700.26	84,047,203.99	10,683,261.82	338,660,946.11	4,538,953.59	517,978,065.77
(1) Acquisition	29,320,810.87	64,265,223.55	9,143,367.07		424,780.59	103,154,182.08
(2) Transfer from construction in progress	18,448,222.94	15,407,280.13		194,355,692.78		228,211,195.85
(3) Increase from business combination	32,278,666.45	4,374,700.31	1,539,894.75	144,305,253.33	4,114,173.00	186,612,687.84
3. Decrease during the period	1,198,847.20	2,567,602.96	5,756,952.72	15,021,803.00	2,011,562.46	26,556,768.34
(1) Disposal or retirement	1,198,847.20	678,280.37	5,716,602.59	631,870.00	1,950,859.81	10,176,459.97
(2) Reduction/changes in scope of combination		1,889,322.59	40,350.13	14,389,933.00	60,702.65	16,380,308.37
4. Closing balance	259,755,298.06	613,043,427.20	106,925,670.67	903,915,007.98	20,777,843.07	1,904,417,246.98
II. Cumulative depreciation						
1. Opening balance	33,150,713.79	193,975,938.37	49,516,356.57	67,847,363.02	11,513,379.51	356,003,751.26
2. Increase during the period	7,326,319.23	33,808,003.54	8,574,600.77	35,778,928.27	935,657.64	86,423,509.45
(1) Provision	6,943,440.40	33,770,633.22	8,393,011.48	31,075,616.04	579,489.47	80,762,190.61

(2) Increase from business combination	382,878.83	37,370.32	181,589.29	4,703,312.23	356,168.17	5,661,318.84
3. Decrease during the period	193,958.22	875,698.39	4,434,472.19	1,205,076.39	110,931.13	6,820,136.32
(1) Disposal or retirement	193,958.22	502,229.50	4,422,512.99	151,579.20	73,901.93	5,344,181.84
(2) Reduction/changes in scope of combination	-	373,468.89	11,959.20	1,053,497.19	37,029.20	1,475,954.48
4. Closing balance	40,283,074.80	226,908,243.52	53,656,485.15	102,421,214.90	12,338,106.02	435,607,124.39
III. Provision for impairment						
1. Opening balance						
2. Increase during the period				2,931,076.51		2,931,076.51
(1) Increase from business combination				2,931,076.51		2,931,076.51
3. Decrease during the period						
4. Closing balance				2,931,076.51		2,931,076.51
IV. Carrying amount						
1. Closing carrying amount	219,472,223.26	386,135,183.68	53,269,185.52	798,562,716.57	8,439,737.05	1,465,879,046.08
2. Opening carrying amount	147,755,731.21	337,587,887.80	52,483,005.00	512,428,501.85	6,737,072.43	1,056,992,198.29

## (11) Construction in progress (CIP)

## a. CIP items

## (1) Basic information of CIP items

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Construction in progress (CIP)	197,664,532.50		197,664,532.50	162,237,337.13		162,237,337.13
Total	197,664,532.50		197,664,532.50	162,237,337.13		162,237,337.13

## (2) Significant changes in CIP Item

Item name	Opening figure	Increase during the period	Transferred to fixed assets	Other decreases	Closing figure	Accumulated amount of interest capitalised	Amount of interest capitalised for the period	Source of funds
Bazhou Shunda Pipeline Project	948,858.13	10,568,611.65	9,988,667.04		1,528,802.74	1,253,210.93	1,253,210.93	Self-financing and borrowing
Dongtai Gas Pipeline Project	39,518,744.02	51,839,886.11	54,630,305.04		36,728,325.09	1,740,186.95	1,740,186.95	Self-financing and borrowing
Anyang Beifang Pipeline Project	38,866,828.65	42,575,486.29	31,374,633.76		50,067,681.18	3,693,246.98	3,693,246.98	Self-financing and borrowing
Yinzhou Shengli Pipeline Project	15,970,754.49	26,396,639.95	5,684,502.75		36,682,891.69			Self-financing
Zibo Luchuan Pipeline Project	18,556,204.98	24,872,996.45	21,214,585.22		22,214,616.21			Self-financing
Wenzhou Gangyao Pipeline Project	6,027,686.08	16,395,321.24	4,319,691.89		18,103,315.43			Self-financing
Chongqing Shengbang Pipeline Project		61,152,252.65	60,673,045.78		479,206.87			
Total	119,889,076.35	233,801,194.34	187,885,431.48		165,804,839.21	6,686,644.86	6,686,644.86	

## (12) Intangible assets

Item	Land use rights	Proprietary Technology	Software	Franchise rights	Total
I. Original carrying amount					
1. Opening balance	112,708,711.96		5,492,320.30	5,128,300.00	123,329,332.26
2. Increase during the period	16,829,165.92		2,041,323.56		18,870,489.48
(1) Acquisition	13,072,740.66		2,041,323.56		15,114,064.22
(2) Increase from business combination	3,756,425.26				3,756,425.26
3. Decrease during the period					
(1) Reduction/changes in scope of combination					
(2) Disposal and decommissioning					
4. Closing balance	129,537,877.88		7,533,643.86	5,128,300.00	142,199,821.74
II. Accumulated amortisation					
1. Opening balance	10,303,656.80		3,964,860.57	1,751,904.00	16,020,421.37
2. Increase during the period	1,765,516.66		444,875.65	382,233.60	2,592,625.91
(1) Provision	1,693,283.51		444,875.65	382,233.60	2,520,392.76
(2) Increase from business combination	72,233.15				72,233.15
3. Decrease during the period					
4. Closing balance	12,069,173.46		4,409,736.22	2,134,137.60	18,613,047.28
III. Provision for impairment					
1. Opening balance					
2. Increase during the period					
3. Decrease during the period					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	117,468,704.42		3,123,907.64	2,994,162.40	123,586,774.46
2. Opening carrying amount	102,405,055.16		1,527,459.73	3,376,396.00	107,308,910.89

## (13) Goodwill

## 1、Original carrying value of goodwill

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
		From business combination	Disposal	
Dong'a Dongtai Gas Co., Ltd.	191,676,567.67			191,676,567.67
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	37,961,916.33			37,961,916.33
Yantai Runtong Energy Co., Ltd.	885,627.65			885,627.65
Ji'Nan Tianchen Energy Investment Co., Ltd.	701,558.75			701,558.75
Shandong Longyu Shengli Energy Co., Ltd.	5,961,571.56			5,961,571.56
Yanggu Nanwaihuan Fengyuan Gas Refueling Co., Ltd.	1,997,709.74			1,997,709.74
Dong'e Sunshine Clean Energy Co., Ltd.	4,900,000.00			4,900,000.00
Puyang Boyuan Natural Gas Co., Ltd.	63,180,188.59			63,180,188.59
Shandong Qinglin Taifeng Trade Co., Ltd.	2,592,000.00			2,592,000.00
Bazhou Shengli Shunda Gas Co., Ltd.	95,681,106.01			95,681,106.01
Dalian Shengyi New Energy Development Co., Ltd.	30,516,467.10			30,516,467.10
Dalian Yimin New Energy Development Co., Ltd.	12,678,877.11		12,678,877.11	
Zibo Lvchuan Gas Co., Ltd.	72,927,861.05			72,927,861.05
Anyang Beifang Shengli Gas Co., Ltd.	43,195,836.86			43,195,836.86
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	132,745,684.23			132,745,684.23
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	94,749,476.27			94,749,476.27
Chongqing Shengbang Gas Co., Ltd.		477,021,251.91		477,021,251.91
Weihai Shengli Huachang Gas Co., Ltd.		14,773,471.28		14,773,471.28
Total	792,352,448.92	491,794,723.19	12,678,877.11	1,271,468,295.00

## 2、Provision for impairment of goodwill

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Yanggu Nanwaihuan Fengyuan Gas Refueling Co., Ltd.	1,227,399.79			1,227,399.79
Shandong Longyu Shengli Energy Co., Ltd.	801,939.30			801,939.30
Yantai Runtong Energy Co., Ltd.	741,418.66	885,627.65		1,627,046.31
Dalian Shengyi New Energy Development Co., Ltd.	21,553,229.26	8,963,237.84		30,516,467.10
Shandong Qinglin Taifeng Trade Co., Ltd.		2,592,000.00		2,592,000.00
Ji'Nan Tianchen Energy Investment Co., Ltd.		701,558.75		701,558.75
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.		4,595,115.72		4,595,115.72
Total	24,323,987.01	17,737,539.96		42,061,526.97

## 3、Significant goodwill impairment test results

The Company performed an impairment test on goodwill for each asset group as of 31 December, 2018 and the asset group is consistent with the asset group mix recognised at the date of acquisition, covering long-term assets such as fixed assets, intangible assets and other related operating assets that comprise the asset group. The recoverable amount of the asset group is determined with reference to the "Asset Appraisal Report on the Recoverable Amount of the Asset Group of 16 Companies including Puyang Boyuan Natural Gas Co., Ltd. Involved in the Proposed Impairment Test of Goodwill for Financial Reporting Purpose by Shandong Shengli Co., Ltd." (Zhong Qi Hua Ping Zi (2019) No. 3303) issued by Beijing China Enterprise Appraisals Consultation Co., Ltd.

## (1) Key assumptions and rationale

(1) There are no significant changes in the relevant laws and regulations and policies in force, and the macroeconomic situation in China, and the political, economic and social environment of the region in which the appraised entity is located.

(2) There is no significant change in the interest rate, basis and rate of taxation and government charges.

(3) It is assumed that the management of the appraised entity is responsible, stable and capable of carrying out its duties after the valuation base date.

(4) It is assumed that the Company fully complies with all relevant laws and regulations.

(5) It is assumed that there are no other unpredictable and force majeure factors that would have a material impact on the operations of the appraised entity.

## (2) Key parameters

The recoverable amount of each major asset group for which goodwill exists is determined based on the present value of the estimated future cash flows for each asset group, and the discount rate used by the Company in the current period is the pre-tax weighted average cost of capital for each asset group, and the cost of sale for each asset group is determined based on the Company's operating budget data for the last five years (2019 to 2023), with revenue for 2024 and thereafter estimated on a perpetual basis at the 2023 level.

The main parameters of each asset group are as follows:

Company to which the asset group belongs	Forecast period	Stable period	Stable period growth rate	Profit margin	Discount rate (pre-tax weighted average cost of capital)
Dong'a Dongtai Gas Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Shandong Longyu Shengli Energy Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Dong'e Sunshine Clean Energy Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	12.38%
Puyang Boyuan Natural Gas Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Bazhou Shengli Shunda Gas Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Zibo Lvchuan Gas Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Anyang Beifang Shengli Gas Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.77%
Chongqing Shengbang Gas Co., Ltd.	2019 to 2023	2024 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.04%

Notes: The forecast cost of sale and expense are determined on an item-by-item basis based on the forecast data for each asset group for the last five years.

The recoverable amounts of four asset groups, including Dalian Shengyi New Energy Development Co., Ltd., were measured using the cost method and the full amount of goodwill was impaired.

## (3) Goodwill impairment measurement process

Company to which the asset group belongs	The Company's shareholding (1)	Carrying amount of goodwill (2)	Recoverable amount (3)	Carrying amount of asset group assets (4)	goodwill attributable to the company (5) = (3)-(4)	impairment of goodwill = (2) - (5)
Dong'a Dongtai Gas Co., Ltd.	100%	191,676,567.67	381,146,076.81	179,118,927.82	202,027,148.99	
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	100%	37,961,916.33	63,187,154.13	25,076,353.62	38,110,800.51	
Yantai Runtong Energy Co., Ltd.	100%	885,627.65	1,571,709.86	1,572,496.11		885,627.65
Ji'Nan Tianchen Energy Investment Co., Ltd.	100%	701,558.75	10,151,272.99	10,156,351.17		701,558.75
Shandong Longyu Shengli Energy Co., Ltd.	50%	5,961,571.56	39,404,901.09	28,498,342.01	5,453,279.54	508,292.02
Yanggu Nanwaihuan Fengyuan Gas Refueling Co., Ltd.	100%	1,997,709.74	3,500,000.00	1,426,469.01	2,073,530.99	
Dong'e Sunshine Clean Energy Co., Ltd.	51%	4,900,000.00	87,902,379.63	64,721,025.42	11,822,490.65	
Puyang Boyuan Natural Gas Co., Ltd.	51%	63,180,188.59	237,660,598.60	110,721,849.80	64,738,761.88	
Shandong Qinglin Taifeng Trade Co., Ltd.	60.00%	2,592,000.00	16,902,706.43	16,911,162.01		2,592,000.00
Bazhou Shengli Shunda Gas Co., Ltd.	51.00%	95,681,106.01	877,487,978.37	320,122,662.11	284,256,311.29	
Dalian Shengyi New Energy Development Co., Ltd.	100%	30,516,467.10	58,636,865.77	58,666,198.87		30,516,467.10
Zibo Lvchuan Gas Co., Ltd.	62.704%	72,927,861.05	218,080,084.09	93,952,367.80	77,833,043.22	
Anyang Beifang Shengli Gas Co., Ltd.	60%	43,195,836.86	229,177,623.72	152,914,423.27	45,757,920.27	
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	55%	132,745,684.23	323,775,365.55	90,774,331.90	128,150,568.51	4,595,115.72
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	100%	94,749,476.27	128,772,655.11	15,517,570.84	113,255,084.27	
Chongqing Shengbang Gas Co., Ltd.	100%	477,021,251.91	737,991,940.51	255,922,144.56	482,069,795.95	

## (4) Completion of performance commitments for M&amp;A and restructuring at formation of goodwill

Wenzhou Shengli Kangye Natural Gas Co., Ltd. was acquired with a performance commitment and its net profit for the period met the committed results.



## (14) Long-term deferred expenses

Categories	Opening balance	Increase during the period	Amortisation for the period	Other decreases	Closing balance
Land lease payments and others	13,092,293.46	10,040,143.47	7,128,597.05		16,003,839.88
Total	13,092,293.46	10,040,143.47	7,128,597.05		16,003,839.88

## (15) Deferred income tax assets, deferred income tax liabilities

## 1. Deferred income tax assets and deferred income tax liabilities

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/taxable temporary differences	Deferred income tax assets/liabilities	Deductible/taxable temporary differences
Deferred income tax assets:				
Provision for asset impairment	49,594,188.03	228,072,177.16	43,181,124.36	201,616,927.47
Deductible losses	141,861,041.35	571,522,117.93	122,315,841.56	489,263,366.24
Unrealised profits from internal sale	2,288,728.82	9,154,915.28	2,405,746.88	9,622,987.52
Subtotal	193,743,958.20	808,749,210.37	167,902,712.80	700,503,281.23
Deferred tax liabilities:				
Gains or losses from changes in the fair value of investment properties	11,755,032.12	47,020,128.48	13,267,501.77	53,070,007.08
Appreciation appraised on assets acquired not under common control	7,500,754.53	30,003,018.12	7,872,810.66	31,491,242.64
Subtotal	19,255,786.65	77,023,146.60	21,140,312.43	84,561,249.72

## 2、Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Bad debt provision	9,670,141.26	12,791,186.40
Provision for impairment of fixed assets	2,931,076.51	
Provision for impairment of available-for-sale financial assets	22,104,199.27	22,104,199.27
Provision for impairment of long-term equity investments	25,868,518.27	14,229,712.76
Deductible losses	457,218,537.86	414,277,491.87
Total	517,792,473.17	463,402,590.30

## 3、The deductible losses on unrecognised deferred income tax assets that will expire in the following years

Year	Closing balance	Opening balance
Year 2018		41,937,953.09
Year 2019	137,381,763.05	137,381,763.05
Year 2020	105,732,124.04	105,732,124.04
Year 2021	67,149,543.19	67,149,543.19
Year 2022	62,076,108.50	62,076,108.50
Year 2023	84,878,999.08	
Total	457,218,537.86	414,277,491.87

## (16) Other non-current assets

Item	Closing balance	Opening balance
Investment	4,000,000.00	67,500,000.00
Prepayment for equipment and Payments for Construction	43,438,503.58	51,580,314.27
Total	47,438,503.58	119,080,314.27

## (17) Short-term borrowings

Borrowing terms	Closing balance	Opening balance
Pledged loan	245,840,000.00	150,000,000.00
Mortgage loan	45,000,000.00	45,000,000.00
Guaranteed loan	449,920,000.00	395,450,000.00
Credit loan	350,000,000.00	20,000,000.00
Total	1,090,760,000.00	610,450,000.00

Note 1: For details of assets pledged or mortgaged for borrowings, see V. (48) Assets with restricted ownership rights or right to use. Note 2: There is no short-term loan overdue at the end of the period.

## (18) Notes payable and accounts payable

Item	Closing balance	Opening balance
Notes payable	660,000,000.00	60,000,000.00
Accounts Payable	357,975,578.49	473,606,121.87
Total	1,017,975,578.49	533,606,121.87

## 1、Notes payable

Item	Closing balance	Opening balance
Banker's acceptance bill	630,000,000.00	60,000,000.00
Commercial acceptance bill	30,000,000.00	
Total	660,000,000.00	60,000,000.00

## 2、Accounts Payable

## (1) By Ageing

Item	Closing balance	Opening balance
Within 1 year (inclusive)	299,429,012.42	395,546,396.16
More than 1 years	58,546,566.07	78,059,725.71
Total	357,975,578.49	473,606,121.87

There were no significant accounts payable aged over one year at the end of the period.

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### (19) Advance receipts

Item	Closing balance	Opening balance
Within 1 year (inclusive)	499,088,006.25	380,732,931.98
More than 1 years	45,003,648.75	22,409,158.34
Total	544,091,655.00	403,142,090.32

There were no significant advance receipts aged over one year at the end of the period.

### (20) Employee benefits payable

#### 1、Classification of employee benefits payable

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term Benefits	22,602,682.64	143,591,227.78	130,379,276.84	35,814,633.58
II. Post-employment benefits - defined contribution plan	1,061,750.59	15,735,310.23	16,796,848.56	212.26
Total	23,664,433.23	159,326,538.01	147,176,125.40	35,814,845.84

#### 2、Short-term Employee Benefits

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1、Wages, bonuses, allowances and subsidies	13,150,603.57	111,357,686.72	103,283,071.61	21,225,218.68
2、Staff Welfare Payments	13,051.83	5,915,341.09	5,889,784.68	38,608.24
3、Social insurance premiums	11,644.50	10,887,501.51	9,118,087.93	1,781,058.08
Where: Medical insurance premiums	10,192.98	9,193,821.01	7,423,060.31	1,780,953.68
Worker's compensation insurance premiums	504.00	1,131,972.10	1,132,464.25	11.85
Maternity insurance premiums	947.52	561,708.40	562,563.37	92.55
4、Housing provident fund	98,017.56	8,670,322.86	8,725,788.22	42,552.20
5、Funding for trade unions and vocational education	9,329,365.18	6,335,882.51	2,938,051.31	12,727,196.38
6、Other short-term benefits		424,493.09	424,493.09	
Total	22,602,682.64	143,591,227.78	130,379,276.84	35,814,633.58

#### 3、Defined benefit plan

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1、Basic pension insurance	1,061,334.39	15,191,547.38	16,252,669.51	212.26
2、Unemployment insurance premiums	416.20	543,762.85	544,179.05	
Total	1,061,750.59	15,735,310.23	16,796,848.56	212.26

## (21) Taxes payable

Type of Taxes	Closing balance	Opening balance
VAT	9,578,488.98	4,574,552.78
Enterprise income tax	34,596,014.02	21,004,692.69
Urban maintenance and construction tax	580,735.03	379,102.86
Property tax	375,090.80	400,053.86
Land use tax	698,209.34	621,198.91
Personal income tax	7,838,155.54	8,115,361.21
Education surcharge	400,725.50	290,519.93
Water conservancy construction fund	95,933.28	16,431.99
Stamp duty	203,097.07	282,192.58
Other taxes		18,168.87
Total	54,366,449.56	35,702,275.68

## (22) Other payables

Categories	Closing balance	Opening balance
Interest payable	5,176,208.81	2,036,636.85
Dividend payable	17,469,356.97	1,497,902.15
Other payables	134,886,429.76	77,080,532.65
Total	157,531,995.54	80,615,071.65

## 1、Interest payable

Categories	Closing balance	Opening balance
Long-term borrowings with payments of interest thereon in instalments and the repayment of the principal upon maturity	79,245.83	
Interest payable on finance leases	2,255,111.11	
Interest payable on short-term borrowings	2,841,851.87	2,036,636.85
Total	5,176,208.81	2,036,636.85

## 2、Dividend payable

Item	Closing balance	Opening balance
Common stock dividends due from the parent company	1,497,902.15	1,497,902.15
Dividends payable to minority shareholders by Shandong Shengbang Plastic Co., Ltd.	12,758,000.00	
Dividends payable to minority shareholders by Zibo Lvchuan Gas Co., Ltd.	3,213,454.82	
Total	17,469,356.97	1,497,902.15

## 3、Other payables

Nature of amount	Closing balance	Opening balance
Security deposit	35,636,773.05	35,925,155.90
Amounts withheld but not paid	3,705,270.29	1,525,917.82
Amount payable to purchase stock options	55,860,300.00	
Other	39,684,086.42	39,629,458.93
Total	134,886,429.76	77,080,532.65

## (23) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Amount payable to purchase stock options	88,450,000.00	
Borrowings from the Bank of Dongying	15,000,000.00	
Borrowings from Bank of Qi Lu	1,000,000.00	
Finance Lease payments due to CSC Financial	26,666,666.67	
Borrowings from ICBC	15,600,000.00	28,125,000.00
Borrowings from Bank of Hebei	1,000,000.00	
Proceedings from Preference shares issued to Shaanxi Financial Holding Group Co., Ltd.	2,000,000.00	2,000,000.00
Borrowings from Bank of Tai'an		220,000,000.00
Borrowing from Bank of Tianjin Tai'an Branch		79,000,000.00
Total	149,716,666.67	329,125,000.00

## (24) Long-term borrowings

Borrowing terms	Closing balance	Opening balance
Guaranteed loan	117,000,000.00	120,200,000.00
Credit loan		130,000,000.00
Mortgage loan	47,500,000.00	49,500,000.00
Total	164,500,000.00	299,700,000.00

## (25) Long-term payables

Nature of amount	Closing balance	Opening balance
Borrowings from connected parties	60,000,000.00	
Finance lease payments payable	53,333,333.33	
Equity transfer payments payable	330,350,000.00	
Total	443,683,333.33	

## (26) Deferred revenue

## 1、Deferred revenue presented by category

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reasons of formation
Government grants	9,493,750.00	3,269,402.27	688,470.11	12,074,682.16	Asset-related government grants received
Total	9,493,750.00	3,269,402.27	688,470.11	12,074,682.16	

## 2、Government Grant Status

Item	Opening balance	Addition during the period Amount of grant	Recognition during the period Amount of other revenue	Closing balance	Assets-related/Revenue-related
Municipal Energy Saving Funds	452,083.33		25,000.00	427,083.33	Assets-related
National Energy Conservation and Emission Reduction Comprehensive Demonstration City Award and Subsidy Fund	9,041,666.67		500,000.00	8,541,666.67	Assets-related
Incentive payments for fixed asset investment projects		3,269,402.27	163,470.11	3,105,932.16	Assets-related
Total	9,493,750.00	3,269,402.27	688,470.11	12,074,682.16	

Notes: Details of government grants in deferred revenue are described in the Note V. (39) Other revenue.

## (27) Share capital

Item	Opening balance	Change during this period (+, -)					Closing balance
		Issue of New Shares	Stock dividends	Reserve fund transferred to share capital	Other	Subtotal	
Total number of shares	880,084,656.00						880,084,656.00

## (28) Capital reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Capital premium	1,015,263,832.00		3,982,400.00	1,011,281,432.00
II. Other capital reserve	635,242.90	133,527.70	142,302.41	626,468.19
Total	1,015,899,074.90	133,527.70	4,124,702.41	1,011,907,900.19

Notes: The decrease in capital premium was due to the fact that Shandong Shengbang Plastic Co., Ltd., a subsidiary of the Company, granted the management team the right to an additional 10% equity dividend in the Company after the achievement of the Company's performance targets in 2017 in accordance with the incentive terms of the equity transfer agreement of the Company, thereby exceeding its share of capital contribution by RMB3,982,400.00 in the distribution of the minority shareholders' dividend for the year 2017 during the period; The increase in other capital reserve is the equity amount of RMB 133,527.70 yuan recognised according to the proportion of capital contribution for the increase of special reserve of Qingdao PetroChina Kunlun Shengli Gas. Co., Ltd., an investee company of the Company; The decrease in other capital surplus was due to the fact that the consideration paid by the Company for the purchase of minority interest in Dalian Shengyi New Energy Development Co., Ltd., a subsidiary of the Company, was higher than the amount of minority interest by RMB142,302.41.

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### (29) Special Reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safe Production Fee	9,699,627.10	19,212,855.56	20,942,851.76	7,969,630.90
Total	9,699,627.10	19,212,855.56	20,942,851.76	7,969,630.90

### (30) Surplus reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	118,665,372.73	11,803,305.61		130,597,821.62
Any surplus reserves	371,490.70			371,490.70
Total	119,036,863.43	11,803,305.61		130,840,169.04

### (31) Retained earnings

Item	Closing balance	
	Amount	Percentage of appropriation or distribution
Retained earnings of the previous year before adjustment	149,962,820.82	
Adjustments to total retained earnings at the beginning of the period (increase +, decrease -)		
Retained earnings at the beginning of the period after adjustment	149,962,820.82	
Add: Net profit attributable to the owners of parent company this period	102,530,653.04	
Less: Appropriation to statutory surplus reserves	11,803,305.61	10% of net profit of the parent company
Common stock dividends payable		
Retained earnings at the end of the year	240,690,168.25	

Notes: Statutory surplus reserve is provided at a rate of 10% of the parent company's net profit for the period after offsetting previous years' losses.

### (32) Operating income and operating cost

Item	This Period		Previous period	
	Revenue	Cost	Revenue	Cost
I. Principal businesses	4,667,856,323.36	3,933,903,005.12	3,817,630,178.69	3,254,472,870.90
Sale of gas for automotive	1,427,734,174.36	1,314,435,554.31	1,276,879,328.19	1,203,874,407.53
Sale of piped gas	1,344,337,733.72	1,165,362,705.74	976,632,405.26	841,260,961.87
Sales of plastic pipes	608,572,615.05	489,255,482.89	703,299,440.18	542,171,385.16
Gas connection	597,041,313.12	315,322,698.10	314,759,610.64	128,479,971.63
Merchandise trading and other businesses	690,170,487.11	649,526,564.08	530,819,106.60	527,647,361.42
Sale of Agrochemicals			15,240,287.82	11,038,783.29
II. Other businesses	7,943,776.94	2,840,393.11	10,328,662.25	6,386,688.62
Total	4,675,800,100.30	3,936,743,398.23	3,827,958,840.94	3,260,859,559.52

## (33) Tax and Surcharges

Item	This Period	Previous period
Urban maintenance and construction tax	3,174,831.13	2,691,970.80
Education surcharge	2,392,233.62	2,034,975.91
Property tax	1,617,984.02	1,414,008.77
Land use tax	3,181,972.73	2,750,732.42
Stamp duty	2,173,141.76	2,641,648.95
Vehicle tax	125,320.15	321,826.87
Water conservancy construction fund	294,075.02	
Total	12,959,558.43	11,855,163.72

## (34) Cost of Sales

Item	This Period	Previous period
Employee Benefits	63,123,041.32	41,320,974.16
Transportation costs	44,804,816.29	41,189,451.41
Depreciation expenses	45,337,879.08	24,158,260.58
Safe Production Fee	28,583,613.31	17,152,268.54
Rental payment	15,184,217.74	11,409,013.82
Consulting fees	15,570,525.54	8,365,880.01
Entertainment expenses	6,954,539.02	6,561,194.21
Advertising fees	3,062,517.58	2,632,259.02
Travel expenses	2,069,820.40	2,268,477.01
Other	22,722,860.08	10,856,880.65
Total	247,413,830.36	165,914,659.41



## (35) Administrative expenses

Item	This Period	Previous period
Employee Benefits	66,410,419.24	53,199,609.14
Entertainment expenses	9,492,640.42	6,663,425.76
Depreciation expenses	7,148,109.30	6,189,603.21
Rental payment	3,654,209.35	3,526,016.95
Travel expenses	2,624,812.56	3,145,011.08
Intangible asset amortisation	2,520,392.76	3,111,087.82
Consulting fees	5,576,959.90	2,840,901.65
Auditing fees	2,115,204.35	2,690,689.28
Fuel cost	2,824,588.07	2,280,410.46
Repairing expenses	2,737,382.73	1,245,243.18
Freight and miscellaneous charges	1,254,355.30	1,130,085.66
Property management fees	478,136.82	674,345.45
Other	25,540,460.32	33,237,022.57
Total	132,377,671.12	119,933,452.21

## (36) R&amp;D expenses

Item	This Period	Previous period
R&D material consumption	13,689,784.96	15,916,057.05
Employee Benefits	2,688,025.16	3,625,363.80
Depreciation expenses	425,055.54	575,087.20
Other	860,452.99	1,042,073.33
Total	17,663,318.65	21,158,581.38

## (37) Financial expenses

Item	This Period	Previous period
Interest expenses	114,341,172.94	58,049,802.79
Less: Interest income	19,485,794.54	7,807,881.03
Less: Exchange gains	733.55	2,824.93
Handling fee expenses	4,479,144.52	3,082,963.07
Total	99,333,789.37	53,322,059.90

## (38) Asset impairment loss

Item	This Period	Previous period
Loss on bad debts	23,170,635.14	16,650,435.87
Loss on inventory write-down		-537,491.08
Impairment losses on goodwill	17,737,539.96	21,553,229.26
Impairment loss on long-term equity investments	11,638,805.51	14,229,712.76
Impairment loss on available-for-sale financial assets		22,104,199.27
Total	52,546,980.61	74,000,086.08

## (39) Other income

Categories	This Period	Previous period
Municipal Energy Saving Funds (Note 1:)	25,000.00	25,000.00
National Energy Saving and Emission Reduction Grants (Note 2:)	500,000.00	500,000.00
Incentive payments for fixed asset investment projects (Note 3:)	163,470.11	
Natural Gas Price Regulation Fund (Note 4:)	1,600,000.00	
Annual subsidy for plant rental (Note 5:)	3,200,000.00	
Total	5,488,470.11	525,000.00

Note 1: Dong'a Yangguang Clean Energy Co., Ltd., a subsidiary of the Company, received a special municipal energy conservation grant of RMB500,000.00 from Dong'a County Finance Bureau in December 2015, which was specifically used for the construction of the Company's coke gasification project, which was officially put into production in February 2016, and the Company recognised the project-specific subsidy fund in 20 years from February 2016 in accordance with the overall useful life of the relevant assets. Thus, other income of RMB25,000.00 was recognised during the year.

Note 2: Dong'a Yangguang Clean Energy Co., Ltd., a subsidiary of the Company, received a national energy saving and emission reduction subsidy fund of RMB10,000,000.00 from the Dong'a County Finance Bureau in 2016, which was specifically used for the construction of the Company's coke gasification project, which was formally put into production in February 2016, and the Company recognised the project specific subsidy fund in 20 years from February 2016 in accordance with the overall useful life of the relevant assets. Thus, the Company recognised other income of RMB500,000.00 for the year.

Note 3: In accordance with the Investment Agreement for the 50,000-ton per annum polyethylene pipe production base project entered into between Shandong Shengbang Pipeline Technology Co., Ltd. and the Management Committee of Dongying Economic and Technological Development Zone, the Company received an incentive payment of RMB3,269,402.27 from the Finance Bureau of Dongying Economic and Technological Development Zone for the fixed asset investment project in June 2018, which was used for the purchase of fixed assets for the production of 50,000 tonnes of polyethylene pipes. The project was officially put into production at the end of 2017. The Company recognised other income of RMB163,470.11 in the current year based on the overall useful life of the relevant assets under the project grant funds, which is recognised over 20 years starting from January 2018.

Note 4: Dong'a County Dongtai Gas Co., Ltd., a subsidiary of the Company, received a natural gas price regulation fund of RMB1,600,000.00 from Dong'a County Finance Bureau in 2018 in accordance with the criteria as set out in the document "Notice on the Allocation of Price Regulation Fund" (Dong Cai Zeng Zhi [2018] No. 33) issued by Dong'a County Finance Bureau.

Note 5: Shandong Shengbang Pipeline Technology Co., Ltd., a subsidiary of the Company, received a plant rental subsidy of RMB3,200,000.00 from the Finance Bureau of Dongying Economic and Technological Development Zone in June 2018 pursuant to the Investment Agreement of the 50,000 tonnes per annum polyethylene pipe production base project entered into between Shandong Shengbang and the Management Committee of Dongying Economic and Technological Development Zone.

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### (40) Investment income

Categories	This Period	Previous period
Income from long-term equity investment accounted for under the equity method	62,780,135.36	22,419,754.21
Investment income arising from disposal of long-term equity investment	-3,908,708.01	212,107,586.24
Investment income from available-for-sale financial asset during the holding period	16,777.40	16,777.40
Wealth management income		1,846,938.65
<b>Total</b>	<b>58,888,204.75</b>	<b>236,391,056.50</b>

### (41) Income from changes in fair value

Sources of income from changes in fair value	This Period	Previous period
Investment properties measured at fair value	-6,049,878.60	15,172.60
<b>Total</b>	<b>-6,049,878.60</b>	<b>15,172.60</b>

### (42) Gains on Disposal of Assets

Categories	This Period	Previous period
Gains or losses on disposal of non-current assets	586,005.65	62,083.57
<b>Total</b>	<b>586,005.65</b>	<b>62,083.57</b>

### (43) Non-operating income

#### 1、Non-operating income is presented separately

Item	This Period	Previous period	Amount included in non-recurring profit or loss for the period
Government grants	1,160,000.00	183,500.00	1,160,000.00
Equity Price without payment required		30,600,000.00	
Other	1,057,951.25	1,838,294.88	1,057,951.25
<b>Total</b>	<b>2,217,951.25</b>	<b>32,621,794.88</b>	<b>2,217,951.25</b>

#### 2、Government grants recognised in profit or loss for the period

Item	This Period	Previous period	Assets-related/Revenue-related
Quality incentive payments		100,000.00	Revenue-related
Government awards		83,500.00	Revenue-related
National Standard Drafting Moderation Awards (Note 1:)	1,000,000.00		Revenue-related
Government grant (Note 2:)	160,000.00		Revenue-related
<b>Total</b>	<b>1,160,000.00</b>	<b>183,500.00</b>	

Note 1: In accordance with the "Guiding Opinions of the Dongying Municipal People's Government and the CPC Dongying Municipal Committee on Promoting Industrial Transformation and Upgrading" (Dong Fa [2015] No. 5), Shandong Shengbang Plastic Co., Ltd., a subsidiary of the Company, received an incentive payment of RMB1,000,000.00 from the Dongying Municipal Government in 2018 for moderation of the drafting of the national standard for water supply polyethylene (PE) piping system.

Note 2: Pursuant to the Notice on the Issuance of Longgang 2018 Annual Industrial Entity Economy Innovation and Development Preferential Policies (Long Zheng Fa [2018] No. 45), Wenzhou Shengli Gangyao Natural Gas Co., Ltd., a subsidiary of the Company, received a subsidy of RMB160,000.00 from the government of Longgang Town, Cangnan County in 2018 for encouraging enterprises to grow better and stronger.

## (44) Non-operating expenses

Item	This Period	Previous period	Amount included in non-recurring profit or loss for the period
Fine expenses	600,195.40	747,089.91	600,195.40
Outbound donations	224,700.00	68,478.50	224,700.00
Losses on Debt Waiver		228,214,748.00	
Other	382,525.61	544,840.74	382,525.61
Total	1,207,421.01	229,575,157.15	1,207,421.01

## (45) Income tax expenses

## 1、Breakdown of income tax expense

Item	This Period	Previous period
Current income tax calculated in accordance with the tax law and related regulations	82,537,992.04	76,299,250.73
Deferred income tax expenses	-27,743,319.69	-38,047,218.17
Total	54,794,672.35	38,252,032.56

## 2、Profit and income tax expense adjustment process for accounting purpose

Item	Amount
Total profit	236,684,885.68
Income tax expense at statutory/applicable rates	59,171,221.42
Effect of different tax rates applicable to subsidiaries	-9,335,001.70
Effect of adjustment to prior period income tax	
Effect of non-taxable income (for example, recognition of investment income under the equity method)	-14,722,051.19
Effect of non-deductible costs, expenses and losses	-1,539,245.95
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the period	21,219,749.77
Income tax expenses	54,794,672.35

## (46) Cash flow statement

## 1. Other cash received or paid related to operating activities

Item	This Period	Previous period
Other cash received relating to operating activities	29,773,148.06	37,837,722.97
Where: Gas deposit collected		29,801,387.42
Interest received	19,485,794.54	6,014,540.67
Government grants received	9,229,402.27	183,500.00
Other	1,057,951.25	1,838,294.88
Other cash paid relating to operating activities	251,991,061.69	178,943,118.18
Where: Cash expenses in administrative expenses	55,999,402.53	58,199,495.45
Cash expenses in operating expenses	164,816,700.85	102,115,933.17
Other	31,174,958.31	18,627,689.56

## 2. Other cash received and paid relating to investing activities

Item	This Period	Previous period
Other cash received relating to investing activities	20,570,462.28	135,973,503.65
Where: Recovery of wealth management fund		60,000,000.00
Recovery of the Loan to Lvye Chemicals	20,000,000.00	52,200,000.00
Recovery of the loan to Shengli Biotech, an investee company of the Company		20,773,503.65
Recovery of investment deposit		3,000,000.00
Other	570,462.28	
Other cash paid relating to investing activities	8,996,807.55	40,704,457.54
Net cash outflow on disposal of the subsidiary - Lvye Chemicals		40,704,457.54
Lendings	5,960,000.00	
Other	3,036,807.55	

## 3. Other cash received and paid relating to financing activities

Item	This Period	Previous period
Other cash received relating to financing activities	460,000,000.00	
Where: Net cash received on financing notes	360,000,000.00	
Interest-free loan received from Shandong Shengli Investment Co., Ltd., a shareholder, to the listed company	40,000,000.00	
Loan received from Qingdao Shengtong Coastal Real Estate Development Co., Ltd., an investee company	60,000,000.00	
Other cash paid relating to financing activities	40,000,000.00	
Where: Repayment of interest-free loan from Shandong Shengli Investment Co., Ltd. to the listed company	40,000,000.00	

## (47) Supplementary information to the cash flow statement

## 1. Supplementary information to the cash flow statement

Item	This Period	Previous period
1、Adjustment of net profit to cash flows from operating activities		
Net profit	181,890,213.33	122,703,196.56
Add: Provision for asset impairment	52,546,980.61	74,000,086.08
Fixed asset depreciation, oil and gas asset depreciation and productive biological asset depreciation	80,762,190.61	60,058,811.96
Intangible asset amortisation	2,520,392.76	3,111,652.34
Amortization of long-term deferred expenses	7,128,597.05	11,709,067.24
Loss on disposal of fixed assets, intangible assets and other long-term assets (with gains denoted by a "-")	-586,005.65	-62,083.57
Loss on retirement of fixed assets (with gains denoted by "-")		
Loss on changes in fair value (with gains denoted by "-")	6,049,878.60	-15,172.60
Financial expenses (with gains denoted by a "-")	114,341,172.94	58,049,802.79
Investment losses (with gains denoted by a "-")	-58,888,204.75	-236,391,056.50
Decrease in deferred income tax assets (with increase denoted by a "-")	-25,841,245.40	-37,582,667.59

Increase in deferred income tax liabilities (with decrease denoted by a "-")	-1,884,525.78	433,138.95
Decrease in inventories (with increase denoted by a "-")	-34,568,927.94	19,551,122.98
Decrease in operating receivables (with increase denoted by a "-")	-50,800,194.17	52,471,019.91
Increase in operating payables (with decrease denoted by a "-")	11,272,083.06	74,122,131.93
Other		
Net cash flows from operating activities	283,942,405.27	202,159,050.48
2、Significant investment and financing activities that do not involve cash flow		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets leased-in under Finance Lease		
3、Net changes in cash and cash equivalents		
Closing cash balance	551,938,236.45	529,877,379.21
Less: Opening cash balance	529,877,379.21	486,548,417.76
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	22,060,857.24	43,328,961.45

## 2. Net cash paid during the year for acquisition of a subsidiary

Item	Amount
Cash or cash equivalents paid in the period for business combinations that occurred during the period	295,000,000.00
Less: Cash and cash equivalents held by subsidiaries on the date of purchase	6,998,812.01
Add: cash or cash equivalents paid during the period for business combination in previous periods	
Net cash paid for acquisition of subsidiaries	288,001,187.99

## 3. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	551,938,236.45	529,877,379.21
Where: Cash in stock	997,192.45	1,068,023.40
Bank deposits readily available for payment	461,960,944.25	499,635,687.68
Other monetary funds readily available for payment	88,980,099.75	29,173,668.13
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	551,938,236.45	529,877,379.21
Cash and cash equivalents in the parent or subsidiaries with restriction in use	468,000,000.00	73,500,000.00

Notes: Included in other monetary funds at the end of the period were RMB275,000,000.00 in Banker's Acceptance Draft Security Deposit due over three months, RMB189,000,000.00 in certificate of deposit due over three months and RMB4,000,000.00 in for letters of credit security deposit due over three months, which were not reflected as cash and cash equivalents.

## (48) Assets with restricted ownership or right to use

Item	Amount	Reason for restriction on ownership or right to use
I. Fixed assets used as collateral	125,141,404.36	Assets used as collateral for borrowings
II. Equity assets used for pledge	721,373,301.79	Assets pledged for borrowings
III. Assets with restricted ownership rights due to other reasons	468,000,000.00	
Where: Acceptance Draft Security Deposit	275,000,000.00	Security deposit
Letter of Credit Security Deposit	4,000,000.00	Security deposit
Certificate of deposit	189,000,000.00	Pledges
Total	1,314,514,706.15	

## VI. Changes to the scope of consolidation

## (1) Business combination not under common control occurred during the period

## 1. Basic information on combinations

Name of acquiree	Time of acquisition of equity	Cost of acquisition of equity	Equity percentage acquired (%)	Means of acquisition	Date of Acquisition	Basis for determining the date of acquisition	Revenue of acquiree from date of acquisition to period end	Net profit of acquiree from date of acquisition to period end
Chongqing Shengbang Gas Co., Ltd.	29 January 2018	663,800,000.00	100.00	Cash Payment	29 January 2018	Equity transfer	232,264,556.97	63,516,824.08
Weihai Shengli Huachang Gas Co., Ltd.	16 October 2018	49,480,300.00	94.50	Cash Payment	16 October 2018	Equity transfer	11,955,092.14	1,885,099.32

## 2. Combination costs and goodwill

Combination costs	Chongqing Shengbang Gas Co., Ltd.	Weihai Shengli Huachang Gas Co., Ltd.
Cash	663,800,000.00	49,480,300.00
Fair value of equity securities issued		
Total combination costs	663,800,000.00	49,480,300.00
Less: Fair value share of identifiable net assets acquired	186,778,748.09	34,706,828.72
Amount of Goodwill	477,021,251.91	14,773,471.28

## 3. Identifiable assets and liabilities of the acquiree at the date of acquisition

Company name	Chongqing Shengbang Gas Co., Ltd.		Weihai Shengli Huachang Gas Co., Ltd.	
	Fair value at the date of acquisition	Carrying value at the date of acquisition	Fair value at the date of acquisition	Carrying value at the date of acquisition
Assets:				
Monetary Funds	6,340,407.24	6,340,407.24	658,404.77	658,404.77
Notes receivable			-	
Receivables	2,099,468.93	2,099,468.93	10,201,370.80	10,201,370.80
Prepayments	222,235.85	222,235.85	3,445,046.62	3,445,046.62
Other receivables	84,530.18	84,530.18	2,725,381.75	2,725,381.75
Inventories	2,963,660.54	2,963,660.54	4,573,903.03	4,573,903.03
Other current assets	2,782,674.15	2,782,674.15	917,527.04	917,527.04
Available-for-sale financial assets				
Long-term equity investments				
Fixed assets	146,268,063.74	146,268,063.74	31,752,228.75	31,752,228.75
Construction in progress (CIP)	29,811,287.94	29,811,287.94	2,618,800.03	2,618,800.03
Intangible assets	1,427,079.03	1,427,079.03	2,069,328.60	2,257,113.08
Long-term deferred expenses				
Deferred tax assets	17,242.10	17,242.10	200,463.02	200,463.02
Total assets:	192,016,649.70	192,016,649.70	59,162,454.41	59,350,238.89
Liabilities:				
Short-term borrowings				
Accounts payable	0.04	0.04	12,770,092.94	12,770,092.94
Advance receipts	3,899,271.88	3,899,271.88	9,245,023.53	9,245,023.53
Interest payable				
Employee benefits payable	39,236.04	39,236.04	172,402.18	172,402.18
Taxes payable	639,927.50	639,927.50	16,135.28	16,135.28
Other payables	532,542.51	532,542.51	80,339.93	80,339.93
Deferred tax liabilities				46,946.12
Other non-current liabilities				
Total liabilities:	5,110,977.97	5,110,977.97	22,283,993.86	22,330,939.98
Total net assets:	186,905,671.73	186,905,671.73	36,878,460.55	37,019,298.91
Less: Special Reserves	126,923.64	126,923.64	292,496.03	292,496.03
Less: Minority stockholder's interest			2,012,228.05	2,019,974.16
Share acquired and attributable to the acquirer	186,778,748.09	186,778,748.09	34,573,736.47	34,706,828.72



## (2) Disposal of equity in subsidiaries during the period

## Loss of control upon a single disposal of an investment in a subsidiary

Subsidiary Name	Disposal Price	Disposal ratio (%)	Point of loss of control	Basis for determining the point at which control is lost	The difference between the disposal price and the share of the net assets of the subsidiary at the consolidated financial statement level corresponding to the disposal of the investment	Percentage of remaining shareholding at the date of loss of control (%)	Carrying amount of remaining equity interests at the date of loss of control	Fair value of remaining equity interests at the date of loss of control	Gain or loss arising on remeasurement of remaining shareholdings to fair value	Methodology and key assumptions for determining the fair value of the remaining equity interest at the date of loss of control
Dalian Yimin New Energy Development Co., Ltd.	22,950,000.00	51.00	20 March 2018	Date when shareholding falls below 50%	-2,151,885.38	0.00	0.00	0.00	0.00	By share of net assets of the investee

## VII. Interests in other entities

## (1) Interests in Subsidiaries

## 1. Composition of the Group

Subsidiary Name	Registration place	Main place of operation	Nature of business	Shareholding (%)	Means of acquisition
Shaanxi Huashan Shengbang Plastic Co., Ltd.	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Manufacturing	51.00	Incorporation
Qingdao Shengli Petrochemical Products Sales. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Trade	94.00	Incorporation
Shandong Shengbang Plastic Co., Ltd.	Dongying City, Shandong Province	Dongying City, Shandong Province	Manufacturing	80.00	Incorporation
Shandong Shengbang Pipeline Technology Co., Ltd.	Dongying City, Shandong Province	Dongying City, Shandong Province	Manufacturing	100.00	Incorporation
Chongqing Shengbang Pipeline Co., Ltd.	Chongqing	Chongqing	Manufacturing	100.00	Incorporation
Shandong Shengli Import & Export Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Trade	100.00	Incorporation
Shandong Shengli Great Liquor Cellar Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Trade	100.00	Incorporation
Qingdao Shengli Meijiuhui Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Catering	100.00	Incorporation
Shandong Lihuasheng Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Nanning Shengxin Natural Gas Utilities Co., Ltd.	Nanning City, Guangxi Province	Nanning City, Guangxi Province	Natural Gas	100.00	Incorporation

Qinzhou Shengli Natural Gas Utilities Co., Ltd.	Qinzhou City, Guangxi Province	Qinzhou City, Guangxi Province	Natural Gas	81.00	Incorporation
Shandong Huasheng Energy Co., Ltd.	Yanzhou City, Shandong Province	Yanzhou City, Shandong Province	Natural Gas	60.00	Incorporation
Shandong Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Dezhou Shengli Luban Energy Co., Ltd.	Dezhou, Shandong Province	Dezhou, Shandong Province	Natural Gas	80.00	Incorporation
Ji'Nan Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Heze Shengli Natural Gas Co., Ltd.	Heze City, Shandong Province	Heze City, Shandong Province	Natural Gas	51.00	Incorporation
Rizhao Natural Gas Co., Ltd.	Rizhao City, Shandong Province	Rizhao City, Shandong Province	Natural Gas	100.00	Incorporation
Dezhou Shengli Natural Gas Co., Ltd.	Dezhou, Shandong Province	Dezhou, Shandong Province	Natural Gas	100.00	Incorporation
Linyi Shengli Energy Co., Ltd.	Linyi City, Shandong Province	Linyi City, Shandong Province	Natural Gas	76.00	Incorporation
Taian Shengli Energy Co., Ltd.	Tai'an City, Shandong Province	Tai'an City, Shandong Province	Natural Gas	51.00	Incorporation
Weifang Shengli Natural Gas Co., Ltd.	Weifang City, Shandong Province	Weifang City, Shandong Province	Natural Gas	100.00	Incorporation
Zibo Lihuasheng Natural Gas Utilities Co., Ltd.	Zibo City, Shandong Province	Zibo City, Shandong Province	Natural Gas	100.00	Incorporation
Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Real Estate Properties	62.50	Combination not under common control
Laiwu Nengquan Petroleum Sales Co., Ltd.	Laiwu City, Shandong Province	Laiwu City, Shandong Province	Sales	60.00	Combination not under common control
Binzhou Shengli Natural Gas Co., Ltd.	Binzhou, Shandong	Binzhou, Shandong	Natural Gas	100.00	Incorporation
Ji'Nan Tianchen Energy Investment Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Combination not under common control
Yantai Runtong Energy Co., Ltd.	Yantai City, Shandong Province	Yantai City, Shandong Province	Natural Gas	100.00	Combination not under common control
Weihai Runli Energy Co., Ltd.	Weihai City, Shandong Province	Weihai City, Shandong Province	Natural Gas	100.00	Combination not under common control
Shandong Longyu Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	50.00	Combination not under common control

## APPENDIX II

## FINANCIAL INFORMATION OF THE TARGET GROUP

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Qingdao Longyu Shengli Energy Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	100.00	Incorporation
Dong'a Dongtai Gas Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Combination not under common control
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Combination not under common control
Dong'e Sunshine Clean Energy Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Manufacturing	51.00	Combination not under common control
Qingdao Runhao Natural Gas Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	100.00	Combination under common control
Yanggu Nanwaihuan Fengyuan Gas Refueling. Co., Ltd.	Yanggu County, Shandong Province	Yanggu County, Shandong Province	Natural Gas	100.00	Combination not under common control
Heze Shenghong Gas Co., Ltd.	Heze City, Shandong Province	Heze City, Shandong Province	Natural Gas	100.00	Incorporation
Shandong Lihuasheng Transportation Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Transportation	100.00	Incorporation
Puyang Boyuan Natural Gas Co., Ltd.	Qingfeng County, Henan Province	Qingfeng County, Henan Province	Natural Gas	51.00	Combination not under common control
Shandong Qinglin Taifeng Trade Co., Ltd.	Liaocheng City, Shandong Province	Liaocheng City, Shandong Province	Natural Gas	60.00	Combination not under common control
Bazhou Shengli Shunda Gas Co., Ltd.	Bazhou, Hebei Province	Bazhou, Hebei Province	Natural Gas	51.00	Combination not under common control
Dalian Shengyi New Energy Development. Co., Ltd.	Dalian City, Liaoning Province	Dalian City, Liaoning Province	Natural Gas	51.00	Combination not under common control
Zibo Lvchuan Gas Co., Ltd.	Zibo City, Shandong Province	Zibo City, Shandong Province	Natural Gas	62.704	Combination not under common control
Anyang Beifang Shengli Gas Co., Ltd.	Anyang City, Henan Province	Anyang City, Henan Province	Natural Gas	60.00	Combination not under common control
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	Wenzhou, Zhejiang Province	Wenzhou, Zhejiang Province	Natural Gas	55.00	Combination not under common control
Tianjin Hengrongda Technology Co., Ltd.	Tianjin City	Tianjin City	Natural Gas	95.00	Combination not under common control

Jiangxi Shangdiansheng Industry Investment Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Natural Gas	100.00	Combination not under common control
Pengze County Natural Gas Co., Ltd.	Jiujiang City, Jiangxi Province	Jiujiang City, Jiangxi Province	Natural Gas	85.00	Combination not under common control
Chongqing Shengbang Gas Co., Ltd.	Dazu District, Chongqing City	Dazu District, Chongqing City	Natural Gas	100.00	Combination not under common control
Weihai Shengli Huachang Gas Co., Ltd.	Weihai City, Shandong Province	Weihai City, Shandong Province	Natural Gas	94.50	Combination not under common control
Qingdao Hengchang Trade. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Trade	100.00	Incorporation

## 2、Information on significant non-wholly-owned subsidiary

SN	Company name	Shareholding of minority shareholders (%)	Profit or loss for the period attributable to minority shareholders	Dividends paid to minority shareholders during the period	Cumulative minority interest at the end of the year
1	Shandong Shengbang Plastic Co., Ltd.	20.00	2,042,306.11	12,758,000.00	30,514,519.46
2	Shandong Huasheng Energy Co., Ltd.	40.00	-6,714,217.66		15,824,627.43
3	Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	37.50	3,897,281.96	30,000,000.00	66,780,327.51
4	Puyang Boyuan Natural Gas Co., Ltd.	49.00	9,499,621.39	12,328,813.26	47,745,848.33
5	Bazhou Shengli Shunda Gas Co., Ltd.	49.00	46,531,561.54	45,995,951.46	118,304,710.43
6	Zibo Lvchuan Gas Co., Ltd.	37.296	6,582,450.88	5,992,450.54	40,477,021.22
	Total	— —	61,839,004.22	107,075,215.26	319,647,054.38

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## 3 · Key financial information on significant non-wholly owned subsidiaries

Subsidiary Name	Closing balance					Opening balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities
Shandong Shengbang Plastic Co., Ltd.	440,471,183.20	111,234,687.24	551,705,870.44	366,027,340.96	399,133,273.12	370,284,026.39	94,391,078.55	464,675,104.94	278,436,038.15	278,436,038.15
Shandong Huasheng Energy Co., Ltd.	24,765,058.49	190,348,972.78	215,114,031.27	175,552,462.70	175,552,462.70	33,332,541.13	199,674,552.33	233,007,093.46	176,514,074.18	176,514,074.18
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	7,824,354.25	212,082,189.83	219,906,544.08	41,736,347.28	41,736,347.28	62,450,282.22	185,499,173.10	247,949,455.32	201,097.85	201,097.85
Puyang Boyuan Natural Gas Co., Ltd.	126,130,816.98	97,995,094.80	224,125,911.78	126,060,165.14	126,685,404.99	103,210,379.95	99,768,008.77	202,978,388.72	98,468,935.36	99,114,209.39
Bazhou Shengli Shunda Gas Co., Ltd.	380,911,047.57	275,725,935.04	656,636,982.61	367,198,798.06	415,198,798.06	325,796,367.24	256,588,042.35	582,384,409.59	291,371,835.55	341,371,835.55
Zibo Lvchuan Gas Co., Ltd.	108,920,689.83	121,163,021.33	230,083,711.16	118,335,180.73	121,554,589.49	118,339,751.31	96,149,545.43	214,489,296.74	103,766,662.49	107,263,788.04
Total	1,089,023,150.32	1,008,549,901.02	2,097,573,051.34	1,194,910,294.87	1,279,860,875.64	1,013,413,348.24	932,070,400.53	1,945,483,748.77	948,758,643.58	1,002,901,043.16

Subsidiary Name	This Period			Previous period		
	Operating Income	Net profit	Total comprehensive income	Operating Income	Net profit	Total comprehensive income
Shandong Shengbang Plastic Co., Ltd.	566,179,781.53	10,211,530.53	10,211,530.53	679,288,477.65	53,986,806.68	53,986,806.68
Shandong Huasheng Energy Co., Ltd.	97,756,450.34	-16,785,544.16	-16,785,544.16	38,176,536.18	-25,987,837.94	-25,987,837.94
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	123,038.83	10,421,839.33	10,421,839.33	202,142.71	-1,609,633.78	-1,609,633.78
Puyang Boyuan Natural Gas Co., Ltd.	187,493,364.86	19,386,982.43	19,386,982.43	226,784,261.05	28,442,087.94	28,442,087.94
Bazhou Shengli Shunda Gas Co., Ltd.	791,891,565.71	94,962,370.50	94,962,370.50	480,050,514.33	83,290,553.47	83,290,553.47
Zibo Lvchuan Gas Co., Ltd.	386,006,083.19	17,649,214.06	17,649,214.06	314,133,072.46	19,615,314.72	19,615,314.72
Total	2,029,450,284.46	135,846,392.69	135,846,392.69	1,738,635,004.38	157,737,291.09	157,737,291.09

## (2) Interests in joint ventures or associates

## 1. Particulars of joint ventures and associates

Company name	Main place of operation	Registration place	Nature of business	Shareholding (%)		Accounting treatment
				Direct	Indirect	
Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Real Estate Properties	17.00	20.00	Equity method
Qingdao Kunlun Shengli Gas. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	49.00		Equity method
Shandong Shengli Bioengineering Co., Ltd.	Jining City, Shandong Province	Jining City, Shandong Province	Biopharmaceuticals	45.00		Equity method
Shandong Kunlun Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	49.00		Equity method
Shandong Shengbang Plastic Pipeline System Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Plastic pipe projects	40.00		Equity method
Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	Rizhao City, Shandong Province	Rizhao City, Shandong Province	Natural Gas	49.00		Equity method
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	Linyi City, Shandong Province	Linyi City, Shandong Province	Natural Gas	30.00		Equity method
Qingdao PetroChina Kunlun Energy. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	49.00		Equity method
Shenxian County PetroChina Kunlun Gas Co., Ltd.	Xin County, Shandong Province	Xin County, Shandong Province	Natural Gas		40.00	Equity method

## 2. Key financial information on significant associates

Item	Closing balance / Amount incurred during the period		Opening balance / Amounts incurred during the previous period	
	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Qingdao Kunlun Shengli Gas. Co., Ltd.	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Qingdao Kunlun Shengli Gas. Co., Ltd.
Current assets	997,940,087.46	56,287,677.33	1,218,456,629.80	58,323,311.73
Where: Cash and cash equivalents	106,015,107.04	28,520,630.59	229,037,282.73	40,026,239.25
Non-current assets	256,616.15	66,973,099.71	10,998,413.87	78,691,497.38
Total assets	998,196,703.61	123,260,777.04	1,229,455,043.67	137,014,809.11
Current liabilities	18,028,525.99	9,790,263.38	308,983,899.08	14,139,104.33
Non-current liabilities				10,000,000.00
Total liabilities	18,028,525.99	9,790,263.38	308,983,899.08	24,139,104.33
Minority stockholder's interest				
Equity attributable to the Shareholders of the Parent Company	980,168,177.62	113,470,513.66	920,471,144.59	112,875,704.78
Share in net assets in proportion to shareholding percentage	362,662,225.73	55,600,551.69	340,574,323.50	55,309,095.33

Adjustments				
Where: Goodwill	195,292.01	46,261,807.98	195,292.01	57,900,613.49
Unrealised profits from internal transactions				
Other				
Carrying value of equity investments in associates	362,857,517.74	101,862,359.67	340,769,615.51	113,209,708.82
Fair value of equity investments in associates for which there are public quotes				
Operating Income	424,359,286.69	217,729,257.86		226,425,646.83
Financial expenses	-1,421,413.50	24,230.07		-501,562.23
Income tax expenses	19,899,899.28	232,834.12		1,219,813.73
Net profit	59,668,033.03	322,303.38	-680,273.02	-4,079,154.71
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	59,668,033.03	322,303.38	-680,273.02	-4,079,154.71
Dividends received from associates this year				

## 3、Summarized financial information of insignificant joint ventures and associates

Item	Closing balance / Amount incurred during the period	Opening balance / Amounts incurred during the previous period
Associates:		
Total carrying amount of investments	313,453,678.59	287,465,104.91
The following are aggregates calculated according to shareholding ratios:		
Net profit	40,534,304.47	24,670,241.03
Other comprehensive income		
Total comprehensive income	40,534,304.47	24,670,241.03

## 4、Excess losses incurred in joint ventures or associates

Name of joint ventures or associates	Cumulative unrecognised losses from prior periods	Unrecognised loss for the period (or net profit shared for the period)	Cumulative unrecognised losses at the end of the period
Shengbang Plastic Pipeline System Group Co., Ltd.	13,601,184.78	2,239.12	13,603,423.90

### VIII. Risks associated with financial instruments

The Company's operations are subject to various financial risks: Market risk, credit risk and liquidity risk. The goal of risk management of the Company is to achieve balance between risk and income, reducing the negative impacts on the operations to the lowest level, and maximizing interests of shareholders and other equity investors. Based on this goal, the basic strategy of risk management for the Company is to ascertain and analyse all the risks that the Company confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

#### 1、Market risk

##### (1) Foreign exchange risk - exposure to changes in cash flows

The Company's foreign currency funds are settled in a timely manner and the foreign exchange balance is relatively small, resulting in limited foreign exchange risk.

##### (2) Interest Rate Risk

Borrowings are all at fixed rates, so the interest rate risk is low.

##### (3) Other price risk

For the risk of price fluctuations of raw materials and finished goods, the Company maintains a reasonable inventory level of raw materials and finished goods to reduce the risk of price fluctuations.

#### 2、Credit Risk

To reduce credit risks, the accounting department of the Company is in charge of setting credit limits, making credit approvals and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue debts. Moreover, the Company supervises every single receivable on every balance sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables.

#### 3、Liquidity risk

It is the Company's policy to periodically review current and anticipated liquidity requirements and compliance with borrowing contracts to ensure that the Company maintains adequate cash reserves while obtaining commitments from major financial institutions to provide sufficient standby funds to meet long and short-term liquidity requirements.

### 3、Fair value

#### (1) Analysis of assets and liabilities measured at fair value within the fair value hierarchy

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Closing balance
I. Ongoing fair value measurement				
(1) Investment properties	82,387,794.00			82,387,794.00
1、Buildings leased out	82,387,794.00			82,387,794.00

#### (2) Basis for determining market value of ongoing and non-ongoing Level 1 fair value measurements

The Company's investment properties are subsequently measured using fair value as there are unadjusted active market quotes for the Company's investment properties, with the volume and frequency of transactions sufficient to provide pricing information on an ongoing basis.



## IX. Connected parties and connected transactions

## (1) The largest controlling shareholder of the Company

Name of Shareholder	Means of Shareholding	Shareholding ratio in the Company (%)	Proportion of voting rights over the Company (%)
Lai Ganfeng	Held through Run Kaisheng	9.33	9.33

Shandong Shengli Investment Co., Ltd. increase its shareholding in the Company by 14,276,729 shares, accounting for 1.62% of the total share capital of the Company, through the trading system of Shenzhen Stock Exchange from December 2018 to February 2019, and after this change of interest, Shengli Investment held 87,886,314 shares of the Company, accounting for 9.99% of the total share capital of the Company, and became the largest shareholder of the Company.

## (2) Information on the Subsidiaries of the Company

For details please refer to "Note VII. Interests in Other Entities".

## (3) Information about joint ventures and associates of the Company

For the particulars of significant joint ventures or associates of the Company, please refer to "Note VII. Interests in Other Entities".

## (4) Other connected parties of the Company

Name of other connected parties	Relations between other connected parties and the Company
Shandong Shengli Investment Co., Ltd.	The second largest shareholder of the Company, who holds 8.97% of the share capital of the Company
Ji'Nan Fanteng Trade Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see X, (5), 3)
Shandong Shengdi Landscaping Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see X, (5), 3)
Ji'Nan Lihuasheng Lexus Auto Sales and Service. Co., Ltd.	Shandong Lihuasheng Automobile Sales Co., Ltd., in which the Company has an equity interest of 40%, holds 45% of the capital contribution

## (5) Connected transactions

## 1、Connected transactions for the purchase and sale of goods, and the provision and acceptance of services

Name of connected party	Type of connected transaction	Content of connected transactions	Pricing and decision-making process for connected transactions	This Period		Previous period	
				Amount	Percentage of the amount in similar transactions (%)	Amount	Percentage of the amount in similar transactions (%)
Purchase of goods and acceptance of services:							
Qingdao Kunlun Shengli Gas. Co., Ltd.	Procurement	Natural Gas	Market Price	71,049,853.33	2.04	81,567,555.82	4.07
Qingdao PetroChina Kunlun Energy. Co., Ltd.	Procurement	Natural Gas	Market Price	911,585.25	0.03		
Shandong Kunlun Shengli Energy Co., Ltd.	Procurement	Natural Gas	Market Price	2,577,348.14	0.07		
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	Procurement	Natural Gas	Market Price			3,258,196.72	0.16

Sale of goods, provision of services:							
Qingdao PetroChina Kunlun Energy Co., Ltd.	Sales	Natural Gas	Market Price	2,630,092.93	0.09		
Qingdao Kunlun Shengli Gas Co., Ltd.	Sales	Natural Gas	Market Price	35,125,471.96	1.21	45,225,700.00	1.90
Shandong Kunlun Shengli Energy Co., Ltd.	Sales	Natural Gas	Market Price	207,469.26	0.01		
Linyi Zhongfu Natural Gas Investment Co., Ltd.	Sales	Natural Gas	Market Price			669,300.00	0.03
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	Sales	Natural Gas	Market Price			1,909,800.00	0.08

## 2、Information on Connected Leases

Name of Lessor	Name of Lessee	Information on Leasehold	Rental income/expense recognised during the period	Rental income/expense recognised in the previous period
Shandong Shengli Co., Ltd.	Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	Property	279,940.00	266,609.52
Shandong Shengli Co., Ltd.	Qingdao Kunlun Shengli Gas Co., Ltd.	Real Estate	207,198.10	1,692,751.57

## 3、Inform on Connected Guarantees

## (1) Guarantees provided for subsidiaries and investee companies

For details, please refer to "(2) 2. Guarantee provided by the Company for the benefit of its subsidiaries" and "3. Guarantee provided by the Company for the benefit of investee companies" in Note XI "Commitments and Contingencies".

## (2) Information on Guarantees provided by the Company to other connected parties

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lihang Sub-branch	1,000.00	2019-6-5	2021-6-4	No
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Bank of Beijing Co., Ltd. Jinan Branch	500.00	2019-9-18	2021-9-17	No
Shandong Shengli Co., Ltd.	Ji'Nan Fanteng Trade Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	2,000.00	2019-12-1	2021-11-30	No
Total			3,500.00			

Notes: Shandong Shengdi Landscaping Co., Ltd. and Ji'Nan Fanteng Trade Co., Ltd. both are wholly-owned subsidiaries of Qilu Property Co., Ltd. and Wang Jian, a director of the Company, is the chairman of Qilu Property Co., Ltd..

## 4、Borrowing and lending between connected parties

Connected parties	Borrowing/Lending	Amount	Description
Shandong Shengli Bioengineering Co., Ltd.	Lending to connected party	39,464,520.11	Interest is charged at bank loan rates for the same period
Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	Lending to connected party	1,960,000.00	Interest is charged at bank loan rates for the same period
Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Borrowing from connected party	60,000,000.00	interest-free loan
Shandong Shengli Investment Co., Ltd.	Borrowing from connected party	40,000,000.00	interest-free loan

## 5、Information on asset transfers of connected parties

Connected parties	Content of connected transactions	This Period		Previous period	
		Amount	Percentage of the amount in similar transactions (%)	Amount	Percentage of the amount in similar transactions (%)
Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Purchase of Real Estate Property	29,320,810.87	100.00		

## 6、Compensation for key management personnel

Units: RMB 10,000

Key Management Personnel Compensation	This Period	Previous period
Total	607.14	719.15

## (6) Payables and receivables with connected parties

## 1. Receivables

Item name	Connected parties	Closing balance		Opening balance	
		Book Balance	Bad debt provision	Book Balance	Bad debt provision
Accounts receivable	Shengbang Plastic Pipeline System Group Co., Ltd.	60,539,091.82	60,539,091.82	60,539,091.82	60,539,091.82
Accounts receivable	Ji'Nan Lihuasheng Lexus Auto Sales and Service. Co., Ltd.	447,606.53	427,756.28	1,972,906.60	1,494,762.23
Accounts receivable	Qingdao Kunlun Shengli Gas. Co., Ltd.			1,155,796.15	57,789.81
Dividend receivable	Qingdao Kunlun Shengli Gas. Co., Ltd.			6,434,872.26	
Prepayments	Qingdao Kunlun Shengli Gas. Co., Ltd.	223,234.10		4,702.07	
Prepayments	Linyi Zhongfu Natural Gas Development and Use Co., Ltd.			742.38	
Prepayments	Shandong Kunlun Shengli Energy Co., Ltd.	14,917.05			
Other receivables	Shandong Shengli Bioengineering Co., Ltd.	39,464,520.11	25,899,947.28	41,258,248.46	17,547,432.84
Other receivables	Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	1,960,000.00	98,000.00		

## 2、Payables

Item name	Connected parties	Closing balance	Opening balance
Accounts Payable	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	29,700,000.00	671,328.89
Other payables	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	671,328.89	
Long-term payables	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	60,000,000.00	
Advance receipts	Shandong Kunlun Shengli Energy Co., Ltd.		8,709.80
Advance receipts	Qingdao Kunlun Shengli Gas. Co., Ltd.		150,000.00

## X. Commitments and Contingencies

(1) There is no commitment.

(2) Contingencies

**1. Guarantees provided:****(1) External guarantees provided**

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Qilu Bank Co., Ltd. Jinan Liuhang Sub-branch	1,000.00	2019-6-5	2021-6-4	No
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Bank of Beijing Co., Ltd. Jinan Branch	500.00	2019-9-18	2021-9-17	No
Shandong Shengli Co., Ltd.	Ji'Nan Fanteng Trade Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	2,000.00	2019-12-1	2021-11-30	No
Total			3,500.00			

Notes: The Guarantee Start Date is the date when the guarantee obligation is required to be fulfilled after the maturity of the loan, and the Guarantee End Date is the date on which the guarantee obligation is extinguished as agreed in the Guarantee Agreement.

**(2) Guarantee provided by the Company for subsidiaries**

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	Taian Bank Co., Ltd. City Hall Sub-branch	8,000.00	2019-12-24	2021-12-23	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	Dongying Bank Co., Ltd. Jinan Road Sub-branch	2,000.00	2019-10-13	2021-10-12	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	Dongying Bank Co., Ltd. Jinan Road Sub-branch	1,000.00	2019-3-1	2021-2-28	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	Bank of Beijing Co., Ltd. Jinan Branch	2,000.00	2019-12-26	2021-12-25	No

Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	Dongying Bank Co., Ltd. Jinan Road Sub-branch	2,500.00	2020-3-7	2022-3-6	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	Dongying Bank Co., Ltd. Jinan Road Sub-branch	2,000.00	2020-3-7	2022-3-6	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	Dongying Bank Co., Ltd. Jinan Road Sub-branch	1,000.00	2019-1-20	2021-1-19	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	Qishang Bank Co., Ltd. Dongcuo Branch	1,000.00	2019-7-20	2021-7-19	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	Bank of Kunlun Co., Ltd. Daqing Branch	5,000.00	2019-3-22	2021-3-21	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	Hengfeng Bank Co., Ltd. Qingdao Branch	2,000.00	2019-2-7	2021-2-6	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	China Minsheng Bank Co., Ltd. Qingdao Branch	2,000.00	2019-5-3	2021-5-2	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	China Minsheng Bank Co., Ltd. Qingdao Branch	1,500.00	2019-5-17	2021-5-16	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	Industrial Bank Co., Ltd. Qingdao Branch	2,000.00	2019-5-24	2021-5-23	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	Qingdao Rural Commercial Bank Co., Ltd. Laoshan Sub-branch	495.00	2019-8-24	2021-8-23	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	China Minsheng Bank Co., Ltd. Qingdao Branch	500.00	2019-5-30	2021-5-29	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	China Merchants Bank Co., Ltd. Liaocheng Branch	1,000.00	2019-1-20	2021-1-19	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	Bank of China Co., Ltd. Dong'a Sub-branch	600.00	2019-6-21	2021-6-20	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	Bank of China Co., Ltd. Dong'a Sub-branch	800.00	2019-1-23	2021-1-22	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	Bank of China Co., Ltd. Dong'a Sub-branch	800.00	2019-2-8	2021-2-7	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	Bank of China Co., Ltd. Dong'a Sub-branch	800.00	2019-3-9	2021-3-8	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan North Road Sub-branch	1,500.00	2019-6-15	2021-6-14	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan North Road Sub-branch	6,500.00	2019-6-15	2021-6-14	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	Hua Xia Bank Co., Ltd. Jinan Shizhong Sub-branch	13,000.00	2020-1-16	2022-1-15	No
Shandong Shengli Co., Ltd.	Bazhou Shengli Shunda Gas Co., Ltd.	Bank of Hebei Co., Ltd. Pozhou City Sub-branch	2,499.00	2020-7-27	2022-7-26	No
Shandong Shengli Co., Ltd.	Bazhou Shengli Shunda Gas Co., Ltd.	Bank of Kunlun Co., Ltd. Daqing Branch	1,530.00	2019-6-4	2021-6-3	No
Total			62,024.00			

Notes: The Guarantee Start Date is the date when the guarantee obligation is required to be fulfilled after the maturity of the loan, and the Guarantee End Date is the date on which the guarantee obligation is extinguished as agreed in the Guarantee Agreement. The above guarantees were subject to the Company's decision-making and disclosure procedures.

#### XI. Events after the balance sheet date

Shandong Shengli Investment Co., Ltd. increase its shareholding in the Company by 14,276,729 shares, accounting for 1.62% of the total share capital of the Company, through the trading system of Shenzhen Stock Exchange from December 2018 to February 2019. As of the reporting date of this report, Shandong Shengli Investment Co., Ltd. held 87,886,314 shares of the Company, accounting for 9.99% of the total share capital of the listed Company, and became the largest shareholder of the Company.

#### XII. Other significant matters

##### (1) Discontinued Operations

Item	This Period	Previous period
I. Revenue from Discontinued Operations	1,071,298.06	4,825,611.73
Less: Termination costs and operating expenses	1,287,862.78	4,992,223.44
II. Total profit from discontinued operations	-264,952.32	-544,515.11
Less: Income tax expenses incurred by discontinued operations	-12,096.90	-94,725.86
III. Net profit from discontinued operations	-252,855.42	-449,789.25
Where: Net profit from discontinued operations attributable to the parent company	-128,956.26	-229,392.52
Add: Net gain on disposal of business (after tax)	-2,151,885.38	
Where: Total profits and losses on disposal	-2,151,885.38	
Less: Income tax expenses (or income)		
IV. Total net profit from discontinued operations	-2,280,841.64	-229,392.52
Where: Total net profit from discontinued operations attributable to owners of the parent company		
V. Net cash flows from discontinued operations		
Where: Net cash flows from operating activities	900,063.89	-2,894,194.98
Net cash flows from investing activities	-725,833.84	-12,525.00
Net cash flows from financing activities		

Notes: During the period, the Company transferred Dalian Yimin New Energy Development Co., Ltd., a subsidiary, to an external party and the above is related to the discontinuation of the operation of the subsidiary.

##### (2) Segment reporting

###### 1、Basis for determination and accounting policy of reporting segments

Basic information on operating segments: The Company and its subsidiaries (collectively, the "Group") operate in the natural gas business, the pipeline manufacturing business, and the trade business among others. The Group organises and manage its businesses separately according to the nature of its operations and the products and services provided. The Group's operating segments are classified and described as follows: A. Natural gas business segment: It operates the natural gas sales business; B. Pipeline Manufacturing Business Segment: It engages in production and sale of plastic pipes, and import and sale of PE raw materials; C. Trade and other business segments: It deals in refined oil products, imported wine and investment among others. The management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment in reporting to the management, which are consistent with the accounting and measurement bases used in the preparation of the financial statements.

## 2、Financial Information Reported by Segments

Item	Natural Gas Business Segment	Pipeline Manufacturing Business Segment	Trade and Other Business Segment	Inter-segment offsetting	Consolidated Statement Data
I. Operating Income	3,369,113,221.20	897,044,315.26	459,059,081.28	-49,416,517.44	4,675,800,100.30
II. Operating Costs	2,788,088,595.95	749,753,814.99	441,285,142.53	-42,384,155.24	3,936,743,398.23
III. Asset impairment loss	1,712,846.49	2,851,336.65	47,982,830.27		52,547,013.41
IV. Total profit	315,747,620.21	11,321,652.58	-83,353,220.82	-7,032,362.20	236,683,689.77
V. Income tax expenses	78,240,311.22	349,971.48	-23,913,824.32	117,018.06	54,793,476.44
VI. Net profit	237,507,308.99	10,971,681.10	-59,439,396.50	-7,149,380.26	181,890,213.33
VII. Total Assets	3,314,205,272.47	633,458,140.52	5,058,160,719.65	-2,578,797,515.25	6,427,026,617.39
VIII. Total liabilities	1,780,538,021.89	419,330,362.05	2,720,601,517.29	-1,230,698,907.99	3,689,770,993.24

(3) Save for the above, there are no other material matters that need to be disclosed by the Company.

## XIII. Notes to main items of the parent company's financial statements

## (1) Notes receivable and accounts receivable

Categories	Closing balance	Opening balance
Notes receivable	3,977,033.76	10,264,490.40
Accounts receivable	76,569,481.12	35,160,278.78
Less: Bad debt provision	31,892,478.71	32,757,122.66
Total	48,654,036.17	12,667,646.52

## Accounts receivable by category

Categories	Closing figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individually significant amounts and subject to separate/individual bad debt provision				
Accounts receivable with provision for bad and doubtful debts on a group basis	76,569,481.12	100.00	31,892,478.71	41.65
Accounts receivable with individually insignificant amount but subject to separate/individual bad debt provision				
Total	76,569,481.12	100.00	31,892,478.71	41.65

Categories	Opening figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individually significant amounts and subject to separate/individual bad debt provision				
Accounts receivable with provision for bad and doubtful debts on a group basis	35,160,278.78	100.00	32,757,122.66	93.17
Accounts receivable with individually insignificant amount but subject to separate/individual bad debt provision				
Total	35,160,278.78	100.00	32,757,122.66	93.17

## 1、Accounts receivable with provision for bad and doubtful debts on a group basis

## (1) Accounts receivable for which provision for bad debts is made on an ageing basis

Ageing	Closing figure			Opening figure		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Less than 1 year		5.00		1,379,135.05	5.00	68,956.75
1 to 2 years	111,921.50	10.00	11,192.15	256,613.00	10.00	25,661.30
2 to 3 years	256,613.00	30.0	76,983.90	551,128.35	30.0	165,338.51
3 to 4 years	552,201.90	50.00	276,100.95	156,590.00	50.00	78,295.00
4 to 5 years	156,590.00	80.00	125,272.00	1,989,706.38	80.00	1,591,765.10
More than 5 years	31,402,929.71	100.00	31,402,929.71	30,827,106.00	100.00	30,827,106.00
Total	32,480,256.11	—	31,892,478.71	35,160,278.78	—	32,757,122.66

## (2) Accounts receivables relating to a group of connected parties

Group Name	Closing figure			Opening figure		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Connected party-based grouping	44,089,225.01					



2、The amount of bad debt provision reversed during the period was RMB864,643.95.

3. Five largest accounts receivables by debtor at the end of the period

Entity name	Closing balance	Closing balance and percentage of total closing accounts receivable (%)	Bad debt provision balance
Shandong Shengli Import & Export Co., Ltd.	42,815,805.87	55.92	
Oilfield Drilling Technology Institute	1,975,802.85	2.58	1,975,802.85
Qingdao Ruifuda Rubber Industry Co. Ltd.	1,589,405.29	2.08	1,589,405.29
Qingdao Shengli Meijiuhui Co., Ltd.	1,273,419.14	1.66	
Shandong Province Lufa Livestock Development Center	904,126.45	1.18	904,126.45
Total	48,558,559.60	63.42	4,469,334.59

(2) Other receivables

Categories	Closing balance	Opening balance
Interest receivable		
Dividend receivable	43,413,523.42	6,434,872.26
Other receivables	787,439,107.00	773,272,347.27
Less: Bad debt provision	83,874,629.00	64,464,594.55
Total	746,978,001.42	715,242,624.98

Disclosure of Other Receivables by Category

Categories	Closing figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Individually significant and subject to separate provision				
Other receivables for which bad debt provision is made in group	787,439,107.00	100.00	83,874,629.00	10.65
Other receivables with individually insignificant but subject to separate/individual bad debt provision				
Total	787,439,107.00	100.00	83,874,629.00	10.65

Categories	Opening figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Individually significant and subject to separate provision				
Other receivables for which bad debt provision is made in group	773,272,347.27	100.00	64,464,594.55	8.34
Other receivables with individually insignificant but subject to separate/individual bad debt provision				
Total	773,272,347.27	100.00	64,464,594.55	8.34

## 1、Other receivables for which bad debt provision is made in group

Other receivables for which provision for bad debts is made on an Ageing basis

Ageing	Closing figure			Opening figure		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Less than 1 year	12,353,449.88	5	617,672.49	167,821,752.60	5	8,391,087.63
1 to 2 years	147,810,936.64	10	14,781,093.66	23,466,100.65	10	2,346,610.07
2 to 3 years	22,920,094.96	30	6,876,028.49	5,463,703.14	30	1,639,110.94
3 to 4 years	5,463,703.14	50	2,731,851.57	31,707,465.48	50	15,853,732.74
4 to 5 years	28,197,013.62	80	22,557,610.90		80	
More than 5 years	36,310,371.89	100	36,310,371.89	36,234,053.17	100	36,234,053.17
Total	253,055,570.13	—	83,874,629.00	264,693,075.04	—	64,464,594.55

## Other receivables relating to a group of connected parties

Group Name	Closing figure			Opening figure		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Connected party-based grouping	534,383,536.87			508,579,272.23		

2、The amount of bad debt provision made during the period was RMB19,410,034.45;

3、Other receivables by nature

Nature of amount	Closing balance	Opening balance
Loans to subsidiaries	534,383,536.87	508,579,272.23
Lendings to investee companies	41,424,520.11	41,258,248.46
Other transactions (Note:)	211,631,050.02	223,434,826.58
Total	787,439,107.00	773,272,347.27

Note: Other transactions include receivables of RMB146,170,659.26 from Shandong Shengbang Lvye Chemicals Co., Ltd. ("Lvye Chemicals"), which represents the uncollected portion of debts and the amount of capital occupation fees in relation to Lvye Chemicals after the Company transferred out Lvye Chemicals, and the aforesaid transaction amount is gradually diminishing.

4、Five largest other receivables by debtor at the end of the period

Name of debtors	Nature of amount	Closing balance	Ageing	percentage of total closing other receivables (%)	Bad debt provision balance
Shandong Huasheng Energy Co., Ltd.	Borrowing and lending	15,626,880.28	Less than 1 year	19.85	
Shandong Shengbang Lvye Chemistry Co., Ltd.	Borrowing and lending	146,170,659.26	Within 1 year, 1-2 years	18.56	14,503,779.88
Anyang Beifang Shengli Gas Co., Ltd.	Borrowing and lending	108,098,375.00	Less than 1 year	13.73	
Heze Shengli Natural Gas Co., Ltd.	Borrowing and lending	46,880,777.20	Less than 1 year	5.95	
Shandong Shengli Bioengineering Co., Ltd.	Borrowing and lending	39,464,520.11	Less than 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years	5.01	25,899,947.28
Total	—	496,882,211.85	—	63.10	40,403,727.16

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(3) Long-term equity investments		Closing balance						Opening balance		
		Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Investments in subsidiaries		2,360,170,566.02		2,360,170,566.02	1,649,068,966.02		1,649,068,966.02		1,649,068,966.02	
Investments in affiliates and joint ventures		597,810,808.01	25,868,518.27	571,942,289.74	560,797,327.69	14,229,712.76	546,567,614.93		546,567,614.93	
Total		2,957,981,374.03	25,868,518.27	2,932,112,855.76	2,209,866,293.71	14,229,712.76	2,195,636,580.95		2,195,636,580.95	
1、Investments in subsidiaries										
Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Decrease during the period	Closing balance	Closing balance of provision for impairment			
Shaanxi Huashan Shengbang Plastic Co., Ltd.	29,579,999.99			29,579,999.99		29,579,999.99				
Qingdao Shengli Petrochemical Products Sales Co., Ltd.	4,700,000.00			4,700,000.00		4,700,000.00				
Shandong Shengbang Plastic Co., Ltd.	80,000,000.00			80,000,000.00		80,000,000.00				
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	34,232,057.99			34,232,057.99		34,232,057.99				
Shandong Shengli Import & Export Co., Ltd.	20,000,000.00			20,000,000.00		20,000,000.00				
Shandong Shengli Great Liquor Cellar Co., Ltd.	6,990,000.00			6,990,000.00		6,990,000.00				
Shandong Lihuasheng Energy Co., Ltd.	100,000,000.00			100,000,000.00		100,000,000.00				
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	40,500,000.00			40,500,000.00		40,500,000.00				
Shandong Shengli Energy Co., Ltd.	20,000,000.00			20,000,000.00		20,000,000.00				
Heze Shengli Natural Gas Co., Ltd.	15,300,000.00			15,300,000.00		15,300,000.00				
Rizhao Natural Gas Co., Ltd.	9,000,000.00			9,000,000.00		9,000,000.00				
Dezhou Shengli Natural Gas Co., Ltd.	14,440,000.00			14,440,000.00		14,440,000.00				
Linyi Shengli Energy Co., Ltd.	8,600,000.00			8,600,000.00		8,600,000.00				
Taian Shengli Energy Co., Ltd.	1,020,000.00			1,020,000.00		1,020,000.00				
Weifang Shengli Natural Gas Co., Ltd.	9,000,000.00			9,000,000.00		9,000,000.00				
Zibo Lihuasheng Natural Gas Utilities Co., Ltd.	8,500,000.00			8,500,000.00		8,500,000.00				
Binzhou Shengli Natural Gas Co., Ltd.	9,275,000.00	1,564,900.00		10,839,900.00		10,839,900.00				
Ji'Nan Tianchen Energy Investment Co., Ltd.	10,092,188.89			10,092,188.89		10,092,188.89				

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Yantai Runtong Energy Co., Ltd.	12,990,000.00			12,990,000.00
Shandong Longyu Shengli Energy Co., Ltd.	17,250,000.00			17,250,000.00
Dong'a Dongtai Gas Co., Ltd.	236,469,997.44			236,469,997.44
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	89,627,597.80			89,627,597.80
Qingdao Runhao Natural Gas Co., Ltd.	90,955,734.61			90,955,734.61
Shandong Lihuasheng Transportation Co., Ltd.	20,000,000.00			20,000,000.00
Shandong Qinglin Taifeng Trade Co., Ltd.	11,232,000.00			11,232,000.00
Bazhou Shengli Shunda Gas Co., Ltd.	165,750,000.00			165,750,000.00
Dalian Yimin New Energy Development Co., Ltd.	22,950,000.00		22,950,000.00	
Dalian Shengyi New Energy Development Co., Ltd.	48,450,000.00	18,306,400.00		66,756,400.00
Anyang Beifang Shengli Gas Co., Ltd.	66,600,000.00			66,600,000.00
Zibo Lvchuan Gas Co., Ltd.	127,688,431.80			127,688,431.80
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	103,000,000.00			103,000,000.00
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	170,000,000.00			170,000,000.00
Tianjin Hengrongda Technology Co., Ltd.	44,875,957.50			44,875,957.50
Chongqing Shengbang Gas Co., Ltd.		663,800,000.00		663,800,000.00
Weihai Shengli Huachang Gas Co., Ltd.		49,480,300.00		49,480,300.00
Qingdao Shengxin Meijuhui Co., Ltd.		900,000.00		900,000.00
Total	1,649,068,966.02	734,051,600.00	22,950,000.00	2,360,170,566.02

## 2、Investments in affiliates and joint ventures

Investor	Opening balance	Changes in the period						Closing balance	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits		
Associates:									
Qingdao Shengrong Coastal Real Estate Development Co., Ltd.	156,724,833.06			10,148,495.62				166,873,328.68	
Shandong Shengli Bioengineering Co., Ltd.	138,359,319.34			33,333,750.49				171,693,069.83	
Shandong Kunlun Shengli Energy Co., Ltd.	25,661,524.60			86,939.19				25,748,463.79	
Shandong Shengbang Plastic Pipeline System Co., Ltd.	0.00							0.00	
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	38,510,293.48			-927,281.50				37,583,011.98	
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	55,895,015.47			8,240,629.39			9,000,000.00	55,135,644.86	
Qingdao PetroChina Kunlun Energy Co., Ltd.	13,403,021.41			-356,610.48				13,046,410.93	
Qingdao Kunlun Shengli Gas Co., Ltd.	113,209,708.82			157,928.66		133,527.70		101,862,359.67	25,868,518.27
Guangxi Shengli Samran Energy Co., Ltd.	4,803,898.75		5,545,730.79	741,832.04					
Total	546,567,614.93		5,545,730.79	51,425,683.41		133,527.70	9,000,000.00	571,942,289.74	25,868,518.27

## (4) Operating income and operating cost

Item	This Period		Previous period	
	Revenue	Cost	Revenue	Cost
I. Subtotal of principal activities	324,961,341.21	325,030,730.68	132,280,470.71	132,212,026.18
Plastic raw materials trade business	324,961,341.21	325,030,730.68	131,987,808.55	131,930,763.83
Vehicle Gas Business			292,662.16	281,262.35
II. Subtotal of other business	3,347,011.87		4,615,365.04	
Total	328,308,353.08	325,030,730.68	136,895,835.75	132,212,026.18

## (5) Investment income

Item	This Period	Previous period
Income on Long-term equity investments accounted for under the cost method	170,405,172.52	95,528,571.86
Income from long-term equity investment accounted for under the equity method	51,425,683.41	23,775,746.18
Investment income arising from disposal of long-term equity investment	-1,756,822.63	-10,712,751.85
Investment income on available-for-sale financial assets	16,777.40	16,777.40
Total	220,090,810.70	108,608,343.59

## XIV. Supplementary information

## (1) Details on Non-Recurring Profit or Loss for the Period

Item	Amount	Remarks
1. Gains or losses on disposal of non-current assets, including the write-off of provision for impairment of assets	586,005.65	
2. Government grants recognised in profit or loss for the period (except for those closely related to the business of the Group and provided at a fixed or quantitative amount in accordance with the national standard)	6,648,470.11	
3. Capital occupation fees charged on non-financial enterprise recognised in profit or loss for the period	1,716,723.51	
4. Gains and losses arising from changes in the fair value of investment properties subsequently measured using the fair value model	-6,049,878.60	
5. Other non-operating revenue and expenses	-149,469.76	
6. Income tax effect	-447,649.63	
7. Effect of minority interests	-630,465.72	
Total	1,673,735.56	

## (2) Rate of return on equity and earnings per share

Profit for the reporting period	Weighted average return on equity (%)		Earnings per share	
	This year	Previous year	Basic earnings per share	
			This year	Previous year
Net profit attributable to ordinary shareholders of the Company	4.61	2.90	0.12	0.07
Net profit after non-recurring profit/loss attributable to ordinary shareholders of the Company	4.54	2.29	0.11	0.06

## Auditor's Report

Da Xin Shen Zi [2020] No. 3-00078

**To all the members of Shandong Shengli Co., Ltd.:**

### I. Auditor's Opinion

We have audited the accompanying financial statements of Shandong Shengli Co., Ltd. (hereinafter referred to as the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2019, and the Company's and consolidated income statements, the Company's and consolidated cash flow statements, and the Company's and consolidated statements of changes in shareholders' equity for 2019, and the notes to these financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2019, and the Company's and consolidated results of operations and cash flows for 2019 in accordance with Accounting Standards for Business Enterprises.

### II. Basis for the Auditor's Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" section of the audit report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion. III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### (1) Impairment of Goodwill

##### 1. Description of the Matter

As described in Notes III(19) and V(14) to the Financial Statements, the net goodwill of the Company was RMB1,285,536,236.78 (of which RMB1,339,018,745.30 was the original carrying value and RMB53,482,508.52 元 was provision for impairment) as at 31 December, 2019, representing 19.75% of total assets. The Company performs annual year-end impairment tests for

goodwill, including engaging a professional valuer to perform a specialized assessment of goodwill. Impairment tests for goodwill require the management to make projections and estimates of future cash flows, discount rates and other relevant parameters for relevant asset groups, which involve significant management judgment, and therefore we deem goodwill impairment as a key audit matter.

## 2. How the Matter was Addressed in Our Audit

The audit procedures we performed for the impairment of goodwill mainly included:

- (1) Assess the suitability of the impairment test method and evaluate the assumptions and methods used by management in estimating the recoverable value of each asset group;
- (2) Analyse and review the reasonableness of the significant estimates and judgements applied by the management in estimating the present value of future cash flows in the impairment test, taking into account our understanding of the industry;
- (3) Evaluating the competence, professionalism and objectivity of the external valuer engaged by the company;
- (4) Verifying the accuracy of the calculation of the goodwill impairment test model;
- (5) Assessing the reliability and historical accuracy of the management's projection processes by comparing the performance projections of the prior year with the actual results of the current year.

## (2) Recognition of Revenue

### 1. Description of the Matter

As described in Note 5 (35) to the Financial Statements, the Company achieved operating income of RMB5,348,283,403.38 in 2019, mainly from gas business, plastic pipe manufacturing business and other trade business. Operating income is one of the Company's key performance indicators, and the revenue recognition process is relatively complicated. Therefore, we regard revenue recognition as a key audit matter.

## 2. How the Matter was Addressed in Our Audit

The audit procedures we performed in relation to revenue recognition consisted primarily of the following aspects:

- (1) to understand and test the design of the Company's key internal controls related to the sales cycle and their implementation, so as to confirm the effectiveness of internal controls;
- (2) to perform an analysis of revenue, including gross margin analysis, gas loss analysis, construction cost analysis and checking for anomalies in revenue for the period.
- (3) to examine the particulars of revenue, including reviewing gas purchase and sales contracts, gas quantity statements, meter reading records, and receipts among others, and checking gas ancillary project contracts, project budgets, material receipts, project statements, and project inspection reports, and carrying out on-site visits to important projects to check the progress of



completion in person.

(4) to carry out letter verification procedures for major customers to confirm the sales revenue and completion of connection works for the period and to assess the authenticity and completeness of revenue recognition.

#### IV. Other Information

The Management (the “Management”) of the Company are responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work so performed, we shall report any material misstatement as contained in the other information that we ascertain.

In this aspect, we have no such matter to be reported.

#### V. Responsibilities of the Management and Governing Bodies for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises (CAS), as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governing bodies are responsible for supervising the financial reporting processes of the Company.

#### VI. Certified Public Accountant’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we performed the following tasks:

(1) to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(2) to understand the audit related internal controls in order to design appropriate audit procedures.

(3) to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) to conclude on the appropriateness of the Management's use of the going concern basis of accounting. and based on the audit evidence obtained, to conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion; if the disclosure is inadequate, we shall express a qualified opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a fair manner.

(6) to obtain sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and remain solely responsibility for our audit opinion.

We communicate with the Governing Bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.

We also provide the Governing Bodies with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable,

related safeguards.

From the matters communicated with the Governing Bodies, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP

PRC certified public accountant: Chen Jinbo  
(Engagement Partner)

China · Beijing

PRC certified public accountant: Chen Jia

26 March 2020

## II. Financial Statements

Consolidated Balance Sheet				
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2019		Unit: RMB
Item	Note	31 December, 2019	1 January, 2019	31 December, 2018
<b>Current assets:</b>				
Monetary Funds	V. (1)	740,019,460.63	1,019,938,236.45	1,019,938,236.45
Financial assets held for trading		-		
Financial assets at fair value through profit or loss				
Derivative financial assets				
Notes receivable	V. (2)		40,900,821.06	40,900,821.06
Accounts receivable	V. (3)	417,963,503.31	338,520,064.54	320,224,324.18
Accounts Receivable Financing	V. (4)	45,178,585.31	-	
Prepayments	V. (5)	227,028,157.88	147,300,534.70	147,300,534.70
Other receivables	V. (6)	179,715,564.40	186,089,216.33	183,521,108.23
Where: Interest receivable		-	-	
Dividend receivable		-	-	
Inventories	V. (7)	413,548,323.42	447,246,067.79	447,246,067.79
Assets held for sales			-	
Non-current assets due within one year		-	-	
Other current assets	V. (8)	50,914,164.95	56,345,485.26	56,345,485.26
Total current assets		2,074,367,759.90	2,236,340,426.13	2,215,476,577.67
<b>Non-current assets:</b>				
Debt investment			-	
Available-for-sale financial assets			-	77,265,266.99
Other debt investments			-	
Held-to-maturity investments			-	
Long-term receivables			-	
Long-term equity investments	V. (9)	829,037,179.11	778,173,556.00	778,173,556.00
Other equity instrument investments	V. (10)	71,524,824.79	77,265,266.99	
Other non-current financial assets			-	
Investment properties	V. (11)	77,219,556.00	82,387,794.00	82,387,794.00
Fixed assets	V. (12)	1,588,179,807.64	1,465,879,046.08	1,465,879,046.08
Construction in progress (CIP)	V. (13)	215,260,087.13	197,664,532.50	197,664,532.50
Productive biological assets			-	
Oil and gas assets			-	
Intangible assets	V. (14)	113,470,265.92	123,586,774.46	123,586,774.46
Development expenses			-	
Goodwill	V. (15)	1,285,536,270.56	1,229,406,768.03	1,229,406,768.03
Long-term deferred expenses	V. (16)	16,264,836.92	16,003,839.88	16,003,839.88
Deferred tax assets	V. (17)	187,479,371.13	189,708,330.13	193,743,958.20
Other non-current assets	V. (18)	50,974,017.17	47,438,503.58	47,438,503.58
Total non-current assets		4,434,946,216.37	4,207,514,411.65	4,211,550,039.72
Total assets		6,509,313,976.27	6,443,854,837.78	6,427,026,617.39

Consolidated Balance Sheet (Continued)				
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2019		Unit: RMB
Item	Note	31 December, 2019	1 January, 2019	31 December, 2018
<b>Current liabilities:</b>				
Short-term borrowings	V. (19)	926,639,462.15	1,093,601,851.87	1,090,760,000.00
Held-for-trading financial liabilities		-	-	
Financial liabilities at fair value through profit or loss			-	
Derivative financial liabilities			-	
Notes payable	V. (20)	549,620,000.00	660,000,000.00	660,000,000.00
Accounts Payable	V. (21)	358,084,214.54	357,975,578.49	357,975,578.49
Advance receipts	V. (22)	689,379,949.16	544,091,655.00	544,091,655.00
Employee benefits payable	V. (23)	59,022,364.69	35,814,845.84	35,814,845.84
Taxes payable	V. (24)	29,865,709.33	54,366,449.56	54,366,449.56
Other payables	V. (25)	156,154,691.29	152,355,786.73	157,531,995.54
Where: Interest payable		-	-	5,176,208.81
Dividend payable	V. (25)	7,303,533.44	17,469,356.97	17,469,356.97
Liabilities held for sales			-	
Non-current liabilities due within one year	V. (26)	242,602,434.38	152,051,023.61	149,716,666.67
Other current liabilities		-	-	
Total current liabilities		3,011,368,825.54	3,050,257,191.10	3,050,257,191.10
<b>Non-current liabilities:</b>				
Long-term borrowings	V. (27)	180,340,000.00	164,500,000.00	164,500,000.00
Bonds payable		-	-	
Where: Preference shares			-	
Perpetual bonds			-	
Long-term payables	V. (28)	348,566,666.67	443,683,333.33	443,683,333.33
Long-term staff remuneration payables			-	
Estimated liabilities			-	
Deferred revenue	V. (29)	16,788,712.04	12,074,682.16	12,074,682.16
Deferred tax liabilities	V. (30)	40,256,682.12	19,255,786.65	19,255,786.65
Other non-current liabilities		-	-	
Total non-current liabilities		585,952,060.83	639,513,802.14	639,513,802.14
Total liabilities		3,597,320,886.37	3,689,770,993.24	3,689,770,993.24
<b>Shareholders' equity:</b>				
Share capital	V. (31)	880,084,656.00	880,084,656.00	880,084,656.00
Other equity instruments			-	
Where: Preference shares			-	
Perpetual bonds			-	
Capital reserves	V. (32)	1,012,999,291.05	1,011,907,900.19	1,011,907,900.19
Less: Treasury shares			-	
Other comprehensive income	V. (33)	335,580.78	-	
Special Reserves	V. (34)	11,057,440.09	7,969,630.90	7,969,630.90
Surplus reserves	V. (35)	139,973,677.38	130,840,169.04	130,840,169.04
Retained earnings	V. (36)	377,569,059.69	253,275,276.79	240,690,168.25
Total Equity attributable to the Shareholders of the Parent Company		2,422,019,704.99	2,284,077,632.92	2,271,492,524.38
Minority stockholder's interest		489,973,384.91	470,006,211.62	465,763,099.77
Total shareholders' equity		2,911,993,089.90	2,754,083,844.54	2,737,255,624.15
Total liabilities and shareholders' equity		6,509,313,976.27	6,443,854,837.78	6,427,026,617.39

Parent Company Balance Sheet				
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2019		Unit: RMB
Item	Note	31 December, 2019	1 January, 2019	31 December, 2018
<b>Current assets:</b>				
Monetary Funds		270,654,727.89	539,770,854.37	539,770,854.37
Financial assets held for trading				
Financial assets at fair value through profit or loss				
Derivative financial assets				
Notes receivable			3,977,033.76	3,977,033.76
Accounts receivable	XIII. (1)	4,450,249.90	44,774,861.05	44,677,002.41
Accounts Receivable Financing		24,020,676.26		
Prepayments		41,502,865.82	137,319.98	137,319.98
Other receivables	XIII. (2)	732,413,102.95	747,765,375.05	746,978,001.42
Where: Interest receivable				
Dividend receivable	XIII. (2)		43,413,523.42	43,413,523.42
Inventories		1,413,533.83	2,600,191.20	2,600,191.20
Assets held for sales				
Non-current assets due within one year				
Other current assets		2,850,286.91	3,093,202.99	3,093,202.99
<b>Total current assets</b>		<b>1,077,305,443.56</b>	<b>1,342,118,838.40</b>	<b>1,341,233,606.13</b>
<b>Non-current assets:</b>				
Debt investment				
Available-for-sale financial assets				19,451,394.01
Other debt investments				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments	XIII. (3)	3,043,068,509.99	2,932,112,855.76	2,932,112,855.76
Other equity instrument investments		19,786,974.79	19,451,394.01	
Other non-current financial assets				
Investment properties		77,219,556.00	82,387,794.00	82,387,794.00
Fixed assets		37,817,135.15	40,236,654.73	40,236,654.73
Construction in progress (CIP)				
Productive biological assets				
Oil and gas assets				
Intangible assets		5,495,184.84	5,666,408.77	5,666,408.77
Development expenses				
Goodwill				
Long-term deferred expenses			326,682.87	326,682.87
Deferred tax assets		166,262,337.61	172,625,789.24	172,847,097.31
Other non-current assets			480,200.00	480,200.00
<b>Total non-current assets</b>		<b>3,349,649,698.38</b>	<b>3,253,287,779.38</b>	<b>3,253,509,087.45</b>
<b>Total assets</b>		<b>4,426,955,141.94</b>	<b>4,595,406,617.78</b>	<b>4,594,742,693.58</b>

Parent Company Balance Sheet (Continued)				
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2019		Unit: RMB
Item	Note	31 December, 2019	1 January, 2019	31 December, 2018
<b>Current liabilities:</b>				
Short-term borrowings		651,163,744.23	742,840,000.00	742,840,000.00
Held-for-trading financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities				
Notes payable		285,000,000.00	440,000,000.00	440,000,000.00
Accounts Payable		18,894,080.70	17,900,547.66	17,900,547.66
Advance receipts		21,451,128.38	10,510,596.84	10,510,596.84
Employee benefits payable		6,558,670.59	2,982,692.64	2,982,692.64
Taxes payable		649,255.99	7,964,617.45	7,964,617.45
Other payables		519,186,460.87	548,978,081.74	548,978,081.74
Where: Interest payable			4,906,529.56	4,906,529.56
Dividend payable		1,497,902.15	1,497,902.15	1,497,902.15
Liabilities held for sales				
Non-current liabilities due within one year		191,602,434.38	131,716,666.67	131,716,666.67
Other current liabilities				
Total current liabilities		1,694,505,775.14	1,902,893,203.00	1,902,893,203.00
<b>Non-current liabilities:</b>				
Long-term borrowings		131,340,000.00	86,500,000.00	86,500,000.00
Bonds payable				
Where: Preference shares				
Perpetual bonds				
Long-term payables		348,566,666.67	443,683,333.33	443,683,333.33
Long-term staff remuneration payables				
Estimated liabilities				
Deferred income				
Deferred tax liabilities		10,296,986.60	11,755,032.12	11,755,032.12
Other non-current liabilities				
Total non-current liabilities		490,203,653.27	541,938,365.45	541,938,365.45
Total liabilities		2,184,709,428.41	2,444,831,568.45	2,444,831,568.45
<b>Shareholders' equity:</b>				
Share capital		880,084,656.00	880,084,656.00	880,084,656.00
Other equity instruments				
Where: Preference shares				
Perpetual bonds				
Capital reserves		1,029,005,838.54	1,029,005,838.54	1,029,005,838.54
Less: Treasury shares				
Other comprehensive income		335,580.78		
Special Reserves				
Surplus reserves		139,548,667.68	130,415,159.34	130,415,159.34
Retained earnings		193,270,970.53	111,069,395.45	110,405,471.25
Total shareholders' equity		2,242,245,713.53	2,150,575,049.33	2,149,911,125.13
Total liabilities and shareholders' equity		4,426,955,141.94	4,595,406,617.78	4,594,742,693.58

Consolidated Income Statement			
Prepared by: Shandong Shengli Co., Ltd.		Year 2019	
		Unit: RMB	
Item	This Period	Previous period	
I. Operating Income	5,348,283,403.38	4,675,800,100.30	
Less: Operating Costs	4,542,511,783.85	3,936,743,398.23	
Tax and Surcharges	14,531,957.39	12,959,558.43	
Cost of Sales	299,122,038.39	247,413,830.36	
Administrative expenses	148,528,785.96	132,377,671.12	
R&D expenses	19,279,557.41	17,663,318.65	
Financial expenses	78,185,696.96	99,333,789.37	
Where: Interest expenses	100,623,924.62	114,341,172.94	
Interest income	25,737,481.90	19,485,338.39	
Add: Other income	4,183,605.22	5,488,470.11	
Investment income (loss denoted by a "-")	58,268,685.86	58,888,204.75	
Where: Share of profits in associates and joint ventures	56,507,733.15	62,780,135.36	
Gains on derecognition of financial assets measured at amortised cost (loss denoted by a "-")			
Gains on net exposure hedge (loss denoted by a "-")			
Income from changes in fair value (loss denoted by a "-")	-4,886,327.08	-6,049,878.60	
Loss on Credit Impairment (loss denoted by a "-")	478,607.70		
Loss on Asset Impairment (loss denoted by a "-")	-18,705,697.80	-52,546,980.61	
Income from disposal of assets (loss denoted by a "-")	718,169.60	586,005.65	
II. Operating profit (loss denoted by a "-")	286,180,626.92	235,674,355.44	
Add: Non-operating income	4,901,006.17	2,217,951.25	
Less: Non-operating expenses	2,999,378.59	1,207,421.01	
III. Total profit (total losses denoted by a "-")	288,082,254.50	236,684,885.68	
Less: Income tax expenses	84,128,378.82	54,794,672.35	
IV. Net profit (net loss denoted by "-")	203,953,875.68	181,890,213.33	
(1) By continuity of operations:			
1. Net profit from continuing operations (net loss denoted by a "-")	206,299,223.33	184,171,054.97	
2. Net profit from discontinued operations (net loss denoted by a "-")	-2,345,347.65	-2,280,841.64	
(2) By Ownership:			
1. Net profit attributable to shareholders of Parent Company (net loss denoted by a "-")	133,427,291.24	102,530,653.04	
2. Profits and losses attributable to minority interests (net loss denoted by a "-")	70,526,584.44	79,359,560.29	
V. Other comprehensive income, net of tax	335,580.78	-	
Net other comprehensive income after tax attributable to shareholders of parent company	335,580.78	-	
(i) Other comprehensive income that will not be reclassified to profit or loss	335,580.78	-	
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
3. Other equity instrument investments - Changes in fair value	335,580.78		
4. Changes in the fair value of the business's own credit risk			
(2) Other comprehensive income that will be reclassified to profit or loss	-	-	
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Gains or losses from changes in fair value of available-for-sale financial assets			
4. Amount reclassified from financial assets to other comprehensive income			
5. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedge reserve			
8. Exchange differences from retranslation of financial statements			
9. Other			
Other comprehensive income attributable to minority shareholders, net of tax			
VI. Total comprehensive income	204,289,456.46	181,890,213.33	
Total comprehensive income attributable to the shareholders of the parent company	133,762,872.02	102,530,653.04	
Total comprehensive income attributable to minority shareholders	70,526,584.44	79,359,560.29	
VII. Earnings per share			
(1) Basic earnings per share	0.15	0.12	
(2) Diluted earnings per share	0.15	0.12	



Parent Company Income Statement			
Prepared by: Shandong Shengli Co., Ltd.		Year 2019	
			Unit: RMB
Item	Note	This Period	Previous period
I. Operating Income	XIII. (4)	414,187,948.54	328,308,353.08
Less: Operating Costs	XIII. (4)	403,861,277.41	325,030,730.68
Tax and Surcharges		748,901.62	1,221,664.52
Cost of Sales		1,230.62	1,669,697.20
Administrative expenses		47,001,898.59	41,670,851.05
R&D expenses			
Financial expenses		33,553,606.31	50,382,128.01
Where: Interest expenses		47,537,058.98	62,193,090.67
Interest income		14,939,740.79	12,418,943.31
Add: Other income		162,985.79	
Investment income (loss denoted by a "-")	XIII. (5)	167,220,263.22	220,090,810.70
Where: Share of profits in associates and joint ventures		42,839,764.27	170,405,172.52
Gains on derecognition of financial assets measured at amortised cost (loss denoted by a "-")			
Gains on net exposure hedge (loss denoted by a "-")			
Income from changes in fair value (loss denoted by a "-")		-4,886,327.08	-6,049,878.60
Loss on Credit Impairment (loss denoted by a "-")		4,586,979.41	
Loss on Asset Impairment (loss denoted by a "-")			-30,184,196.01
Income from disposal of assets (loss denoted by a "-")		135,897.84	
II. Operating profit (loss denoted by a "-")		96,240,833.17	92,190,017.71
Add: Non-operating income			1,453,349.43
Less: Non-operating expenses		50.00	9,431.25
III. Total profit (total losses denoted by a "-")		96,240,783.17	93,633,935.89
Less: Income tax expenses		4,905,699.75	-24,399,120.16
IV. Net profit (net loss denoted by "-")		91,335,083.42	118,033,056.05
(1) Net profit from continuing operations (net loss denoted by a "-")			
(2) Net profit from discontinued operations (net loss denoted by "-")			
V. Other comprehensive income, net of tax		335,580.78	
(1) Other comprehensive income that will not be reclassified to profit or loss		335,580.78	
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
3. Other equity instrument investments - Changes in fair value		335,580.78	
4. Changes in the fair value of the business's own credit risk			
(2) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Gains or losses from changes in fair value of available-for-sale financial assets			
4. Amount reclassified from financial assets to other comprehensive income			
5. Gains or losses from reclassifying held-to-maturity investments to available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedge reserve			
8. Exchange differences from retranslation of financial statements			
9. Other			
VI. Total comprehensive income		91,670,664.20	118,033,056.05
VII. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Consolidated Cash Flow Statement			
Prepared by: Shandong Shengli Co., Ltd.		Year 2019	Unit: RMB
Item	Note	This Period	Previous period
I. Cash flows from operating activities:			
Cash generated from sale of goods and rendering of services		6,083,700,882.64	5,254,521,054.62
Tax rebates received			104,745.71
Other cash received relating to operating activities	v. (51)	35,356,062.60	29,773,148.06
Sub-total of cash inflows from operating activities		6,119,056,945.24	5,284,398,948.39
Cash paid for goods and services		4,943,802,988.19	4,464,728,121.36
Cash paid to and for employees		159,520,762.62	147,466,683.54
Cash paid for taxes and surcharges		197,300,413.05	136,270,676.53
Other cash paid relating to operating activities	v. (51)	227,635,117.35	251,991,061.69
Sub-total of cash outflows from operating activities		5,528,259,281.21	5,000,456,543.12
Net cash flows from operating activities		590,797,664.03	283,942,405.27
II. Cash flow from investing activities:			
Cash received from disposal of investments		6,907,922.65	3,788,908.16
Cash received from returns on investments		5,362,287.24	15,451,649.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,483,209.00	187,198.89
Net cash received from disposal of subsidiaries and other operating entities		6,022,764.17	
Other cash received relating to investing activities	v. (51)	10,000,000.00	20,570,462.28
Sub-total of cash inflows from investing activities		36,776,183.06	39,998,218.99
Cash paid to acquire fixed assets, intangible assets and other long-term assets		184,670,039.84	348,725,005.05
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities	v. (52)	169,924,118.96	288,001,187.99
Other cash paid relating to investing activities	v. (51)	2,000,000.00	8,996,807.55
Sub-total of cash outflows from investing activities		356,594,158.80	645,723,000.59
Net cash flows from investing activities		-319,817,975.74	-605,724,781.60
III. Cash flows from financing activities:			
Cash received from capital contributions			
Where: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		1,427,440,000.00	1,377,600,000.00
Cash received from issuing of bonds			
Other cash received relating to financing activities	v. (51)		460,000,000.00
Sub-total of cash inflow from financing activities		1,427,440,000.00	1,837,600,000.00
Cash repayments of amounts borrowed		1,497,966,666.66	1,247,015,000.00
Cash paid for dividends, profit and interest		181,879,030.21	206,741,766.43
Where: Dividends and profits paid by subsidiaries to minority shareholders		79,544,645.06	95,540,165.45
Other cash paid relating to financing activities	v. (51)	22,500,000.00	40,000,000.00
Sub-total of cash outflow from financing activities		1,702,345,696.87	1,493,756,766.43
Net cash flows from financing activities		-274,905,696.87	343,843,233.57
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		316.76	
V. Net increase in cash and cash equivalents		-3,925,691.82	22,060,857.24
Add: Cash and cash equivalents at beginning of period		551,938,236.45	529,877,379.21
VI. Closing balance of cash and cash equivalents		548,012,544.63	551,938,236.45

Parent Company Cash Flow Statement			
Prepared by: Shandong Shengli Co., Ltd.		Year 2019	Unit: RMB
Item	Note	This Period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		371,670,157.37	356,180,518.49
Tax rebates received			104,745.71
Other cash received relating to operating activities		28,296,198.15	12,468,665.33
Sub-total of cash inflows from operating activities		399,966,355.52	368,753,929.53
Cash paid for goods and services		365,927,298.00	336,437,642.25
Cash paid to and for employees		19,106,095.27	16,838,128.26
Cash paid for taxes and surcharges		814,750.07	2,126,809.18
Other cash paid relating to operating activities		13,013,632.23	20,705,634.57
Sub-total of cash outflows from operating activities		398,861,775.57	376,108,214.26
Net cash flows from operating activities		1,104,579.95	-7,354,284.73
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		6,076,485.00	3,842,508.16
Cash received from returns on investments		171,624,833.55	142,443,298.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		170,600.00	58,848.89
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities		459,751,703.95	20,570,462.28
Sub-total of cash inflows from investing activities		637,623,622.50	166,915,118.09
Cash paid to acquire fixed assets, intangible assets and other long-term assets		128,939.56	6,545,657.91
Cash paid to acquire investments		170,580,290.26	238,711,766.67
Net cash paid to acquire subsidiaries and other operating entities			
Other cash paid relating to investing activities		62,074,672.61	136,133,681.67
Sub-total of cash outflows from investing activities		232,783,902.43	381,391,106.25
Net cash flows from investing activities		404,839,720.07	-214,475,988.16
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions			
Cash received from borrowings		1,045,613,744.23	852,840,000.00
Cash received from issuing of bonds			
Other cash received relating to financing activities			116,000,000.00
Sub-total of cash inflow from financing activities		1,045,613,744.23	968,840,000.00
Cash repayments of amounts borrowed		1,044,230,898.95	796,383,333.33
Cash paid for dividends, profit and interest		52,443,588.54	59,121,623.32
Other cash paid relating to financing activities		305,000,000.00	40,000,000.00
Sub-total of cash outflow from financing activities		1,401,674,487.49	895,504,956.65
Net cash flows from financing activities		-356,060,743.26	73,335,043.35
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		316.76	
V. Net increase in cash and cash equivalents		49,883,873.52	-148,495,229.54
Add: Cash and cash equivalents at beginning of period		115,770,854.37	264,266,083.91
VI. Closing balance of cash and cash equivalents		165,654,727.89	115,770,854.37

Consolidated Statement of Changes of Shareholders' Equity													
Prepared by: Shandong Shengli Co., Ltd.		Year 2019									Unit: RMB		
Item	Equity attributable to the Shareholders of the Parent Company										Minority stockholder's interest	Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits			Subtotal
		Preference shares	Perpetual bonds	Other									
I. Closing balance of previous year	880,084,656.00				1,011,907,900.19			7,969,630.90	130,840,169.04	240,690,168.25	2,271,492,524.38	465,763,099.77	2,737,255,624.15
Add: Change in Accounting Policies										12,585,108.54	12,585,108.54	4,243,111.85	16,828,220.39
Correction of Errors in the Previous Period													
Combination under common control													
Other													
II. Opening balance of the year	880,084,656.00				1,011,907,900.19			7,969,630.90	130,840,169.04	253,275,276.79	2,284,077,632.92	470,006,211.62	2,754,083,844.54
III. Movements during the period (decrease denoted by a "-")					1,091,390.86		335,580.78	3,087,809.19	9,133,508.34	124,293,782.90	137,942,072.07	19,967,173.29	157,909,245.36
(1) Total comprehensive income										133,427,291.24	133,427,291.24	70,526,584.44	203,953,875.68
(2) Contribution and withdrawal of capital by shareholders							335,580.78				335,580.78		335,580.78
1. Common stock contributed by shareholders													
2. Proceeds from other equity instruments holders													
3. Share-based payment recorded in owners' equity													
4. Others							335,580.78				335,580.78		335,580.78
(3) Appropriation of profits									9,133,508.34	-9,133,508.34		-49,378,821.53	-49,378,821.53
1. Appropriation to surplus reserves									9,133,508.34	-9,133,508.34			
2. Distributions to shareholders												-49,378,821.53	-49,378,821.53
3. Others													
(4) Internal carry-over of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserves to share capital													
3. Making up of losses with surplus reserves													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Reasons for transfer of other comprehensive income to retained earnings													
6. Others													
(5) Special Reserves							3,087,809.19				3,087,809.19	126,565.38	3,214,374.57
1. Appropriation during the period								42,139,316.27			42,139,316.27	9,144,131.21	51,283,447.48
2. Utilization during the period								-39,051,507.08			-39,051,507.08	-9,017,565.83	-48,069,072.91
(6) Other					1,091,390.86						1,091,390.86	18,692,845.00	19,784,235.86
IV. Closing Balance of the period	880,084,656.00				1,012,999,291.05		335,580.78	11,057,440.09	139,973,677.38	377,569,059.69	2,422,019,704.99	489,973,384.91	2,911,993,089.90

Consolidated Statement of Changes of Shareholders' Equity													
Year 2019													
Unit: RMB													
Item	Previous Period												
	Equity attributable to the Shareholders of the Parent Company											Minority stockholder's interest	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Subtotal		
Preference shares		Perpetual bonds	Other										
I. Closing balance of previous year	880,084,656.00				1,015,899,074.90			9,699,627.10	119,036,863.43	149,962,820.82	2,174,683,042.25	523,783,175.26	2,698,466,217.51
Add: Change in Accounting Policies													
Correction of Errors in the Previous Period													
Combination under common control													
Other													
II. Opening balance of the year	880,084,656.00				1,015,899,074.90			9,699,627.10	119,036,863.43	149,962,820.82	2,174,683,042.25	523,783,175.26	2,698,466,217.51
III. Movements during the period (decrease denoted by "-")					-3,991,174.71			-1,729,996.20	11,803,305.61	90,727,347.43	96,809,482.13	-58,020,075.49	38,789,406.64
(1) Total comprehensive income										102,530,653.04	102,530,653.04	79,359,560.29	181,890,213.33
(2) Contribution and withdrawal of capital by shareholders												-1,475,954.48	-1,475,954.48
1. Common stock contributed by shareholders													
2. Proceeds from other equity instruments holders													
3. Share-based payment recorded in owners' equity													
4. Others												-1,475,954.48	-1,475,954.48
(3) Appropriation of profits									11,803,305.61	-11,803,305.61		-111,512,262.97	-111,512,262.97
1. Appropriation to surplus reserves									11,803,305.61	-11,803,305.61			
2. Distributions to shareholders												-111,512,262.97	-111,512,262.97
3. Others													
(4) Internal carry-over of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserves to share capital													
3. Making up of losses with surplus reserves													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Reasons for transfer of other comprehensive income to retained earnings													
6. Others													
(5) Special Reserves								-1,729,996.20			-1,729,996.20	-1,100,088.27	-2,830,084.47
1. Appropriation during the period								19,212,855.56			19,212,855.56	7,008,283.85	26,221,139.41
2. Utilization during the period								-20,942,851.76			-20,942,851.76	-8,108,372.12	-29,051,223.88
(6) Other					-3,991,174.71						-3,991,174.71	-23,291,330.06	-27,282,504.77
IV. Closing Balance of the period	880,084,656.00				1,011,907,900.19			7,969,630.90	130,840,169.04	240,690,168.25	2,271,492,524.38	465,763,099.77	2,737,255,624.15

Statement of Changes of Shareholders' Equity of Parent Company											
Prepared by: Shandong Shengli Co., Ltd.		Year 2019								Unit: RMB	
Item	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Total shareholders' equity
		Preference shares	Perpetual bonds	Other							
I. Closing balance of previous year	880,084,656.00				1,029,005,838.54			130,415,159.34	110,405,471.25	2,149,911,125.13	
Add: Change in Accounting Policies									663,924.20	663,924.20	
Correction of Errors in the Previous Period											
Other											
II. Opening balance of the year	880,084,656.00				1,029,005,838.54			130,415,159.34	111,069,395.45	2,150,575,049.33	
III. Movements during the period (decrease denoted by a "-")							335,580.78	9,133,508.34	82,201,575.08	91,670,664.20	
(1) Total comprehensive income									91,335,083.42	91,335,083.42	
(2) Contribution and withdrawal of capital by shareholders							335,580.78			335,580.78	
1. Common stock contributed by shareholders											
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owners' equity											
4. Others							335,580.78			335,580.78	
(3) Appropriation of profits								9,133,508.34	-9,133,508.34		
1. Appropriation to surplus reserves								9,133,508.34	-9,133,508.34		
2. Distributions to shareholders											
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserves to share capital											
3. Making up of losses with surplus reserves											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Reasons for transfer of other comprehensive income to retained earnings											
6. Others											
(5) Special Reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Other											
IV. Closing Balance of the period	880,084,656.00				1,029,005,838.54		335,580.78	139,548,667.68	193,270,970.53	2,242,245,713.53	

Statement of Changes of Shareholders' Equity of Parent Company											
Prepared by: Shandong Shengli Co., Ltd. Year 2019 Unit: RMB											
Item	Share capital	Other equity instruments			Previous Period						
		Preference shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Total shareholders' equity
I. Closing balance of previous year	880,084,656.00				1,028,872,310.84				118,611,853.73	4,175,720.81	2,031,744,541.38
Add: Change in Accounting Policies											
Correction of Errors in the Previous Period											
Other											
II. Opening balance of the year	880,084,656.00				1,028,872,310.84				118,611,853.73	4,175,720.81	2,031,744,541.38
III. Movements during the period (decrease denoted by a "-")					133,527.70				11,803,305.61	106,229,750.44	118,166,583.75
(1) Total comprehensive income										118,033,056.05	118,033,056.05
(2) Contribution and withdrawal of capital by shareholders											
1. Common stock contributed by shareholders											
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owners' equity											
4. Others											
(3) Appropriation of profits									11,803,305.61	-11,803,305.61	
1. Appropriation to surplus reserves									11,803,305.61	-11,803,305.61	
2. Distributions to shareholders											
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserves to share capital											
3. Making up of losses with surplus reserves											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Reasons for transfer of other comprehensive income to retained earnings											
6. Others											
(5) Special Reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Other					133,527.70						133,527.70
IV. Closing Balance of the period	880,084,656.00				1,029,005,838.54				130,415,159.34	110,405,471.25	2,149,911,125.13

## III. Notes to Financial Statements

## Notes to Financial Statements of Shandong Shengli Co. Ltd.

(Expressed in RMB Yuan in these notes, unless  
otherwise stated)

## I. Basic Corporate Information

Shandong Shengli Co., Ltd. (the "Company") was established by Shandong Shengli Group Company alone on 8 February 1994 as approved by Shandong Provincial Economic System Reform Commission under the document numbered Lu Ti Gai Sheng Zi (1994) No. 39, and formally established as a joint stock company under the document numbered Lu Ti Gai Sheng Zi (1994) No. 103 on 26 April 1994. The Company's A shares were listed on the Shenzhen Stock Exchange on 3 July, 1996 under the short stock name of "Shengli Gufen" and stock code: 000407. The Company's Uniform Social Credit Code: 91370000163074944M.

Registered address: 32nd Floor, Block B, Building 1, Jinan Yaogu, Gangxing 3rd (North) Road, Hi-Tech District, Jinan City, Shandong Province.

Scope of Business: Gas business (natural gas, CNG, vehicle gas refueling, valid for the period stated on the license). Equity investment management; Technological consultation, development and transfer; research, production, sales and installation of plastic products; self-managed import and export business and sales of chemical products (excluding dangerous chemicals); real estate development and earthworks. (The items that requires approval by law can only be dealt in after being approved by the relevant departments.)

For details of the subsidiaries included in the scope of consolidation of the Company, please refer to Notes "VI. Changes in Scope of Consolidation" and "VII. Interests in Other Entities".

The financial statements were published by the Board of Directors of the Company according to its resolution dated 26 March 2020.

## II. Basis of Preparation of Financial Statements

(1) Basis of Preparation: The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises - Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively the "ASBEs"), and on the basis of the significant accounting policies and accounting estimates described below.

## (2) Going Concern:

The Company has had the ability to continue as a going concern for at least 12 months from the end of the reporting period and there are no material events affecting the ability to continue as a going concern.

## III. Significant accounting policies and estimates

Based on its actual operating characteristics, the Company has formulated specific accounting policies and estimates for, among others, revenue recognition, in accordance with the relevant ASBEs, which are mainly reflected in method for Determination of expected credit loss and accounting treatment (Note III (11)), inventory valuation method (Note III (12)), depreciation of fixed assets (Note III (15)) and timing of revenue recognition (Note III (24)).



(I) Statement of compliance with corporate accounting standards

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 31 December 2019, and operating results and cash flows in 2019, as well as other relevant information.

(II) Accounting period

The accounting year of the Company begins on January 1 and ends on December 31.

(III) Operating Cycle

The Company takes one year or 12 months as its normal operating cycle that serves as the division standard for the liquidity of assets and liabilities.

(IV) Reporting Currency

The Company uses Renminbi as its reporting currency.

(V) Business combinations

1. Business combination under common control

For long-term equity investments resulting from a business combination under common control where the acquirer pays cash, transfers non-cash assets or assumes debts as consideration for the combination, the Company's share of the carrying value of the net assets of the acquiree in the consolidated financial statements of the ultimate controlling party acquired at the date of the combination is used as the initial investment cost of the long-term equity investment. In case the acquirer pays the consideration for the combination by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve; or against the retained earnings of the Company in case of insufficient capital reserve.

2. Business combination not under common control

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Identifiable assets, liabilities and contingent liabilities of the acquiree acquired in a business combination not under common control that meet the criteria for recognition are measured at fair value at the date of acquisition. Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised as goodwill. Where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised in the non-operating income for the current period if confirmed after review.

(6) Preparation of Consolidated Financial Statements

1. Scope of Consolidated Financial Statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

2. Harmonisation of Accounting Policies, Balance Sheet Date and Accounting Period Between Parent Company and its Subsidiaries

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods.

### 3. Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the balance sheets of the company and subsidiaries, which offset the internal transactions incurred between the company and subsidiaries and between subsidiaries. The portion of a subsidiary's equity that is not attributable to the company is treated as minority interests and presented as "minority interest" in the consolidated balance sheet under Minority Stockholder's Interest. Long-term equity investments in the Company held by the subsidiaries are treated as treasury stock of the Company and presented in "Less: Treasury Stock" as a deduction from shareholders' equity in the consolidated balance sheet under Shareholders' Equity.

### 4. Accounting treatment of subsidiaries acquired from business combination

For a subsidiary acquired in a business combination under common control, the assets, liabilities, operating results and cash flows of the subsidiary are included in the consolidated financial statements starting from the beginning of the period of the combination, as if the business combination had occurred from the time the ultimate controlling party assumed effective control; For subsidiaries acquired through business combination not under common control, in preparing the financial statements, their individual financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

#### (7) Classification of joint arrangements and accounting treatment for joint operations

##### 1. Classification of joint arrangements

Joint arrangements are classified as joint operation and joint ventures. Joint arrangements established not through separate entities are classified as joint operations. Separate entities refer to the entities with separate identifiable financial architecture including separate legal entities and legally recognised entities without the qualification of legal entity. Joint arrangements established through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties under a joint arrangement due to changes in relevant facts and circumstances, the parties will reassess the classification of joint arrangements.

##### 2. Accounting treatment for joint operations

The Company as a party to a joint operation should recognise the following items in relation to their share of interest in joint operation, and accounts for them in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: its separate assets or liabilities held, and recognise the assets or liabilities jointly held according to their respective shares; incomes from sale of output from the joint operation it receives on a pro-rata basis; incomes attributable to it on a pro-rata basis as a result of the sale of output from the joint operation; and expenses incurred solely by it and those incurred by the joint operation on a pro-rata basis.

In case the Company is a party to a joint operation not under common control, if it is entitled to relevant assets and undertakes relevant liabilities of the joint operation, accounting will be carried out with reference to the provisions applicable to the parties of joint operation; otherwise, it should be subject to relevant requirements under the ASBEs.

##### 3. Accounting treatment for joint ventures

If the Company is a party to a joint venture, it shall account for its investment in the joint venture in accordance with the provisions of ASBE No. 2, "Long-term equity investment", and if the Company is not a party to a joint venture, it shall account for the joint venture according to the extent of its influence over the joint venture.

#### (VIII) Recognition Criteria for cash and cash equivalents

Cash determined in the preparation of statement of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statement of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(9) Foreign currency transactions and translation of foreign currency financial statement

1. Translation of foreign currency transactions

A foreign currency transaction is translated to its reporting currency for accounting purpose using the exchange rate prevailing on the date of the transaction. Any exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used at its initial recognition or on the last balance sheet date shall be recognised in profit or loss for the period, except for those arising from specific borrowings denominated in foreign currency and qualified for capitalisation, which are capitalised as cost of the related assets during the capitalisation period. A non-monetary item denominated in foreign currency measured at historical cost shall be translated using the spot exchange rate prevailing on the date when a transaction occurs and the amount of its reporting currency shall remain unchanged. A non-monetary item denominated in foreign currency at fair value shall be translated using the spot rate on the date when its fair value is determined, and the resulting exchange difference between the amount in the reporting currency after translation and the original amount in the reporting currency shall be recognised as changes in fair value (including change of exchange rate) in profit or loss for the period or in other comprehensive income.

2. Translation of foreign currency financial statement

If the subsidiaries, joint ventures and associates of the Company are different from Company in terms of reporting currency, the Company shall translate their foreign currency financial statements before accounting for them and preparing the consolidated financial statements. Assets and liabilities in the balance sheet shall be translated using the spot exchange rates on the balance sheet date; except retained profit, items under owner's equity shall be translated using spot exchange rates at occurrence. Income and expense items in the income statement shall be translated using the spot exchange rates on their transaction dates. Translation differences arising from the translation of foreign currency financial statements are presented in the balance sheet under Other Comprehensive Income in Owners' Equity. Cash flow dominated in foreign currency shall be translated using the spot rates at occurrences. The effects of exchange rate changes on cash are presented separately in the cash flow statement. On disposal of a foreign operation, the difference from translation of foreign currency statement relating to the foreign operation is transferred to profit or loss for the period of disposal, either in full or in proportion to the disposed portion of the foreign operation.

(X) Financial Instruments

1. Classification and recognition of financial instruments

Financial instruments are classified as financial assets or financial liabilities and equity instruments. A financial asset, a financial liability or an equity instrument is recognised when the Company becomes a contractual party to a financial instrument.

Financial assets are classified on initial recognition as: Financial assets at fair value through profit or loss, held-to-maturity investments, accounts receivable and available-for-sale financial asset. Except for receivables, financial assets are classified based on, among other things, the intention and ability of the Company and its subsidiaries to hold the financial assets. Financial liabilities are classified on initial recognition as: Financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets at fair value through profit or loss include trading financial assets held for sale in short term and financial assets designated as at fair value through profit and loss on initial recognition; Accounts receivable refer to non-derivative financial assets with fixed or determinable recoveries that are not quoted in an active market; Available-for-sale financial assets refer to non-derivative financial assets designated as available for sale on initial recognition or not classified as any other category; Held-to-maturity investments refer to non-derivative financial assets with fixed maturity and fixed or determinable payments that the management has the positive intention and ability to hold to maturity.

2. Measurement of financial instruments

The Company measures its financial instruments at fair value on initial recognition. Subsequent measurements are classified as: Financial assets at fair value through profit or loss, available-for-sale financial assets and financial liabilities at fair value through profit or loss are measured at fair value; held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost; Investments in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets or derivative financial liabilities that are linked to and settled by delivery of such equity instruments, are measured at cost. Gains or

losses resulting from changes in the fair value of the Company's financial assets or financial liabilities during the subsequent measurement, other than those in relation to hedging, are treated as follows: (i) Gains or losses arising from changes in the fair value of financial assets or financial liabilities at fair value through profit or loss are included in profit or loss from changes in fair value. (ii) Changes in the fair value of available-for-sale financial assets are included in other comprehensive income.

### 3. How the Company determines the fair value of financial instruments

Where there is an active market for a financial instrument, the Company uses quoted prices in the active market to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market. Valuation techniques mainly include market method, income method and cost method.

### 4. Basis for recognition and method for measurement of transfers of financial asset liabilities

A financial asset is derecognised when substantially all the risks and rewards of ownership of the financial asset are transferred, or when control over the financial asset is given up without transferring or retaining substantially all the risks and rewards of ownership of the financial asset. If the transfer of a financial asset satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received for the transfer and the cumulative amount of changes in fair value that would otherwise be recognised directly in other comprehensive income is recognised in profit or loss for the period. When the partial transfer of a financial asset satisfies the derecognition conditions, the total carrying amount of the financial asset transferred is allocated between the derecognised portion and the not-derecognised portion in proportion to their respective fair values.

A financial liability or part thereof is derecognised when the present obligation of the financial liability is discharged in whole or in part.

### 5. Impairment of financial assets

When a financial asset measured at amortised cost is impaired, a provision for impairment is made for the difference between the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and its carrying amount. If there is objective evidence that the value of the financial asset has recovered and it can be objectively attributable to an event occurring after the loss is recognised, the impairment loss originally recognised is reversed and recognised in profit or loss for the period.

When a financial asset measured at cost is impaired, a provision for impairment is made for the difference between the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and its carrying amount. Once occurred and recognised, an impairment loss is not reversed.

When there are objective evidences that an available-for-sale financial asset is impaired, the cumulative losses arising from a decline in fair value previously recognised directly in shareholders' equity are reversed and recognised in impairment loss. For investments in available-for-sale debt instruments for which an impairment loss has been recognised, if the fair value subsequently increases and the increase can be objectively attributable to an event occurring after the original impairment loss is recognised, the impairment loss previously recognised is reversed and recognised in profit or loss for the period. For investments in available-for-sale equity instruments for which an impairment loss has been recognised, the subsequent increase in its fair value is recognised directly in shareholders' equity.

For investments in equity instruments, the Company determines the specific quantitative criteria for a "significant" or "other-than-temporary" decline in fair value, the method for cost calculation, the method for determining closing fair value, and the basis for determining the period of sustained decline as follows:

Specific quantitative criteria for a "significant" decline in fair value	The decrease in closing fair value relative to the cost has reached or exceeded 50%
Specific quantitative criteria for an "other-than-temporary" decline in fair value	There has been a decline for 12 consecutive months.
Method for cost calculation	On acquisition, the cost of an investment is measured as the sum of the consideration paid (net of cash dividends declared but not yet paid or interest on bonds that are due but not yet collected) and related transaction costs.
Method for determining closing fair value	Where there is an active market for a financial instrument, the Company uses quoted prices in active markets to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market.
Basis for determining the period of sustained decline	A sustained downward trend or a rebound of less than 20% during the duration of the downward trend with the duration of the rebound not exceeding 6 months, is regarded as a sustained downward period.

(11) Method for determination of expected credit losses and accounting treatment

1. Method for determination of expected credit losses

The Company accounts for financial assets (including receivables) measured at amortised cost, debt investments (including receivables financing) classified as at fair value through other comprehensive income, and lease receivables, on the basis of expected credit losses, and recognises a provision for impairment.

The Company assesses on each balance sheet date whether there has been a significant increase in the credit risk of the underlying financial instruments since initial recognition, dividing the process of credit impairment of financial instruments into three stages, with different accounting treatment for different stages of impairment of financial instruments: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the provision for losses based on the expected credit loss of the financial instrument over the next 12 months and calculates interest income based on its carrying amount (i.e. before provision for impairment being made) and the effective interest rate; (2) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the Company measures the provision for losses based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its carrying amount and the effective interest rate; (3) In the third stage, if a credit impairment occurs after initial recognition, the Company measures the provision for loss based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its amortised cost (carrying amount less provision for impairment) and the effective interest rate.

(1) Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

A financial instrument is considered to have low credit risk if the risk of default is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong and, even if there are adverse changes in economic conditions and operating environment in the longer term, this may not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

(2) Method of measuring loss provision for accounts receivable and lease receivables

(1) Receivables without a significant financing component

For receivables without a significant financing component resulting from transactions subject to ASBE 14 - Revenue, the Company applies a simplified approach whereby the provision for losses is always measured on the basis of expected credit losses over the entire life of the receivable.

(2) Receivables with significant financing components and lease receivables

For receivables with significant financing components and lease receivables subject to ASBE 21 - Leases, the Company measures the provision for losses in accordance with the general method, i.e. the "three-stage" model.

(3) Method of measuring loss provision for other financial assets

For financial assets other than those mentioned above, such as: Debt investments, other debt investments, other receivables, long-term receivables other than lease receivables, loan commitments and financial guarantee contracts among others, the Company measures their provision for losses in accordance with the general method, i.e. the "three-stage" model.

2. Accounting method for expected credit loss

To reflect changes in the credit risk of a financial instrument since initial recognition, the Company re-measures the expected credit losses on each balance sheet date. The resulting increase or reversal in the provision for losses is recognised as an impairment loss or gain in profit or loss for the period and is offset against the carrying amount of the financial asset as shown in the balance sheet, or included in the expected liabilities (loan commitments or financial guarantee contracts) or in other comprehensive income (debt investments at fair value through other comprehensive income), depending on the type of financial instrument.

(12) Inventories

1. Classification of inventories

Inventories means, among others, finished goods or merchandise held for sale in the ordinary course of business, unfinished connection works, materials or supplies used in the process of production or rendering of services. These include, among others, raw materials, packaging, low-value consumables, in-process products and finished goods (inventory goods).

2. Accounting method for dispatching inventories

When inventories are dispatched, the weighted-average method is used to determine the actual cost of the dispatch.

3. Method of provision for decline in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realisable value. The provision for decline in value of inventories is made on an item-by-item basis. The provision for decline in the value of inventories with large quantity and of low unit cost is made according to their inventory category.

4. Inventory count system

The Company adopts a perpetual inventory count system.

5. Amortisation of low value consumables and packaging materials

Low-value consumables and packaging materials are amortised using one-off method.

(XIII) Long-term equity investments

1. Determination of initial investment cost

For long-term equity investment acquired through business combination, if under common control, the initial investment cost of the long-term equity investment represents the proportion of the carrying value of net assets acquired from the acquiree in the consolidated financial statements of the ultimate controlling party on the date of acquisition; if not under common control, the initial investment cost of long-term equity investment represents the combination cost determined on the date of acquisition; For long-term equity investments acquired by payment in cash, the initial investment cost represents the purchase price actually paid; For long-term equity investments acquired through



the issue of equity securities, the initial investment cost represents the fair value of the equity securities issued; For the long-term equity investment acquired through debt restructuring, the initial investment cost of the long-term equity investment is determined in accordance with the relevant provisions of ASBE No. 12 - "Debt Restructuring"; For long-term equity investments acquired in exchange for non-monetary assets, the initial investment cost is determined in accordance with the relevant provisions of ASBE No. 7 - "Non-monetary Asset Exchanges".

#### 2. Subsequent measurement and recognition of profit or loss

Where the Company has control over an investee, the long-term equity investment in such investee shall be measured using the cost method. Long-term equity investments in associates and joint ventures shall be measured using the equity method. If a portion of the Company's equity investment in an associate is held indirectly through a venture capital entity, mutual fund, trust company or similar entity (including an investment-linked insurance fund), the Company shall, regardless of whether the above entities have significant influence over this portion of the investment, elect to measure the portion of the investment held indirectly at fair value through profit or loss in accordance with the relevant provisions of ASBE 22 - Recognition and Measurement of Financial Instruments, with the remainder accounted for using the equity method.

#### 3. Basis for determination of common control and significant influence over an investee:

Common control over an investee means that decisions on activities that materially affect the return on an arrangement must be made with the unanimous consent of the participants sharing control, including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities; Significant influence over an investee refers to the following circumstances: when holding more than 20% but less than 50% of the shares with voting rights in the investee; or even if the shareholding is below 20%, there is still significant influence if any of the following conditions is met: hold a seat or more in the board of directors or similar governing body of the investee; Participate in the policy development process of the investee; Assign key management personnel to the investee; the investee relies on the technology or technical information of the investor; there are major transactions with the investee.

#### (XIV) Investment properties

The Company's investment properties are classified as land use rights for lease, buildings for lease and land use rights held for transfer upon appreciation. Investment properties are measured initially at cost and subsequently using the fair value model.

The Company accounts for the depreciation of buildings for lease among its investment properties using the straight line method, of which the specific accounting policies are the same as those for fixed assets. Buildings for lease and land use rights held for transfer upon appreciation among investment properties are amortised using the straight line method, of which the specific accounting policies are the same as those for fixed assets.

#### (XV) Fixed assets

##### 1. Criteria for recognition of fixed assets

Fixed assets are tangible assets held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognised when the following criteria are all met: it is likely that the economic benefits associated with the fixed asset will flow to the Company; the cost of the fixed asset can be measured reliably.

##### 2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified as: buildings and structures, machinery and equipment, means of transportation, and gas transmission facilities among others; the fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that

are still in use and lands accounted for on an individual basis.

Categories of Assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures (Note:)	30—70	3	1.39 - 3.23
Machinery and equipment	8—20	3	4.85—12.13
Means of Transportation	6—10	3	9.70—16.17
Gas Transmission Facilities	14—30	3	3.23—6.93
Other	3—5	3	19.40—32.33

Notes: If the land on which the buildings and structure of the natural gas operation of the Company are located is leasehold land and it is not possible to obtain a title deed for the buildings and structure, the land is amortised based on the lease term in the land lease contract executed and the estimated net residual value is zero.

### 3. Basis for Recognition and Method for Pricing of Fixed Assets Leased in under Finance Lease

Fixed assets leased-in under finance lease are leases that transfer substantially all the risks and rewards associated with ownership of the assets. The initial valuation of a fixed asset leased in under finance lease is the lower of the fair value of the leased asset and the present value of the minimum lease payments at the commencement date of the lease; The subsequent measurement of the fixed asset leased in under finance lease is consistent with the accounting policies adopted for self-owned fixed assets in respect of depreciation and provision for impairment.

#### (XVI) Construction in progress

The Company has two types of construction in progress: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. The criteria for determining the readiness for its intended use shall be one of the following: the physical construction (including installation) of the fixed asset has been fully or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate properly or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; the amount of further expenditure on the fixed asset constructed is minimal or almost no longer occurs; The fixed asset acquired have met the design or contractual requirements, or are substantially in conformity with the design or contractual requirements.

#### (XVII) Borrowing costs

##### 1. Criteria for recognition of capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalisation are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses as incurred and recognised in profit or loss for the period based on the amount incurred. Assets qualified for capitalisation are fixed assets, investment properties and inventories that require a substantial period of acquisition, construction or production activity to reach their intended useable or saleable condition.

##### 2. Calculation of capitalisation amount

A capitalisation period refers to a period from the point at which a borrowing cost starts to be capitalised to the point at which it ceases to be capitalised. The period during which the borrowing cost suspend its capitalisation is not included. The capitalisation of the borrowing cost shall be suspended when the acquisition and production activities are interrupted abnormally for a period of more than three months.

For specific borrowings, the capitalised amount shall be the actual interest expense incurred for the specific borrowings, less the interest income from the unused funds of the borrowings deposited in bank or investment income from the temporary investments; for general borrowings, the weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from specific borrowings times the capitalization rate of the general borrowings so



occupied; for borrowings with discount or premium, the discount or premium was amortised over the term of the borrowings to adjust the interest in every period using effective interest rate method.

The effective interest method is based on the effective interest rate of the borrowings to calculate the amortisation of discount or premium or interest expense. The effective interest rate is the rate in discounting the estimated future cash flows throughout the expected life of the borrowings to the current carrying amount of the borrowings.

#### (XVIII) Intangible assets

##### 1. Method for Valuation of Intangible Assets

The Company's intangible assets are initially measured at cost. Intangible assets acquired are measured at actual cost based on the actual price paid and related expenses. The actual cost of intangible assets contributed by investors is determined at the value agreed in the investment contract or agreement, unless the value agreed in the contract or agreement is not fair, where the actual cost is determined at fair value. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

The Company's intangible assets are measured subsequently as follows: Intangible assets with finite useful lives are amortised using the straight-line method; at the end of each year, the useful lives and amortization policy of the intangible assets are reviewed, and adjusted accordingly if any difference from the original estimates are identified; Intangible assets with infinite useful lives are not amortised, but their useful lives are reviewed at the end of the year and when there is conclusive evidence that their useful lives are finite, they are amortised on a straight-line basis after their useful lives are determined.

##### 2. Basis for determination of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The basis for determination of infinite useful life is the useful life is derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; The duration of the intangible asset's economic benefit to the Company cannot be determined based on a combination of industry conditions or relevant expert opinions.

At the end of each year, the useful lives of intangible assets with infinite useful lives are reviewed, mainly on a bottom-up basis, by the departments concerned with the use of intangible assets, to evaluate whether there are changes in the basis for the determination of infinite useful lives.

##### 3. Specific criteria for the research and development phases of internal research and development projects, and specific criteria for capitalisation of development phase expenditures

Expenditure during the development stage are transferred to intangible assets if the criteria for recognition of intangible assets are satisfied; Development stage expenditures that meet the criteria for recognition as intangible assets are transferred to intangible assets for accounting purposes.

#### (XIX) Impairment of long term assets

Long-term assets such as long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, productive biological assets measured under the cost model, oil and gas assets, intangible assets and goodwill are tested for impairment if there is any indication that such assets may be impaired on the balance sheet date. If, as a result of an impairment test, the recoverable amount of an asset is less than its book value, an impairment charge is made for the difference and included in the impairment loss.

The recoverable amount is the higher of the asset's net fair value less disposal expenses and the present value of the asset's estimated future cash flows. The asset impairment charge is calculated and recognised on an individual asset basis. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of that asset group is determined by reference to the asset group to which that asset group belongs. An asset group is the smallest group of assets that can generate cash inflows independently.

Goodwill that is separately presented in the financial statements is tested for impairment at least annually, irrespective of whether there is any indication of impairment. On impairment testing, the carrying amount of goodwill is allocated to the asset group or group of asset groups that are expected

to benefit from the synergies of the business combination. If the test indicates that the recoverable amount of the asset group or group of asset groups containing the goodwill being amortised is less than its carrying amount, a corresponding impairment loss is recognised. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or the group of asset groups, and then deducted from the book value of other assets within the asset groups or the group of asset groups in proportion to the book value of other assets.

An impairment loss of the above assets once recognised shall not be reversed in a subsequent period.

(XX) Long-term deferred expenses

The Company's long-term deferred expenses are expenses that have been paid but the benefit period is over one year (not inclusive). Long-term deferred expenses are amortised over the benefit period. If a long-term deferred expense cannot benefit the future accounting period, the residue value of such item not amortised yet shall be all transferred to the profit or loss in the current period.

(XXI) Employee Benefits

Employee benefits are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term Benefits

In the period of employee services, short-term benefits actually incurred are recognised as liabilities in profit or loss for the period, or charged to costs of related assets if otherwise required or permitted by ASBEs. At occurrence, the Company recognises employee benefits in profit or loss for the period or charges to the costs of related assets as incurred. Employee benefits are measured at fair value if they are non-monetary in nature. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company shall calculate and recognise the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognise the corresponding liabilities in the accounting period in which employees render service, and recognise the same in profit or loss for the period or charge to costs of related assets.

2. Post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution plan shall be recognised as a liability in profit and loss of current period or charged to the cost of related assets. Benefit obligations arising from defined benefit plans are attributed to employees over the period in which they render services and are included in profit or loss for the period or charged to the cost of the related assets in accordance with a formula determined under the projected unit credit method.

3. Termination benefits

Termination benefits provided to employees by the Company are recognised as employee benefit liabilities arising from the termination benefits in profit or loss for the period at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and when the Company recognises costs for restructuring involving the payment of termination costs.

4. Other long-term staff benefits

Other long-term employee benefits provided by the Company to its employees that meet the criteria of the defined contribution plan are accounted for in accordance with the relevant provisions of the defined contribution plan; In addition, the Company recognises and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

(XXII) Estimated liabilities

If an obligation in relation to contingency is the present obligation of the Company, the

performance of such obligation is likely to lead to an outflow of economic benefits and its amount can be reliably measured, such obligation shall be recognised as estimated liabilities. The initial measurement is based on the best estimate of the expenditure required for the performance of current obligation. When the necessary expenditures fall within a range and the probability of each result in the range is identical, the best estimate which is the median of the range shall be recognised; if there are several items involved, every possible result and its relevant probability are taken into account for the best estimate to be recognised.

On the balance sheet date, the carrying amount of estimated liabilities shall be reviewed. If there is solid evidence that the carrying amount cannot reflect truly the current best estimate, the carrying amount shall be adjusted according to the current best estimate.

### (23) Other Financial Instruments, such as Preference Shares and Perpetual Bonds

#### 1. Distinction between financial liabilities and equity instruments

Preference shares, perpetual bonds (such as long-term option-embedded MTNs), stock options and convertible corporate bonds issued by the Company are classified as financial liabilities or equity instruments on the following principles:

(1) Settlement by delivery of cash or other financial assets or exchange of financial assets or financial liabilities. If the Company cannot unconditionally avoid the delivery of cash or other financial assets to perform a contractual obligation, the contractual obligation is in line with the definition of financial liabilities.

(2) Settlement with its own equity instruments. A financial instrument is a financial liability of the Company if it is issued as a substitute for cash or other financial assets when the instrument is required to be, or may be, settled with the Company's own equity instruments; The instrument is the Company's equity instrument if it is intended to enable the holder of the instrument to enjoy residual interests in the Company's assets net of all liabilities.

(3) For the classification of financial instruments that will be required to be, or may be, settled with the Company's own equity instruments in the future, a distinction shall be made between derivative and non-derivative instruments. For non-derivative instrument, a non-derivative instrument is an equity instrument if the Company has no future obligation to deliver a variable amount of its own equity instruments for settlement; otherwise, the non-derivative instrument is a financial liability. For derivative instrument, a derivative instrument is an equity instrument if the Company can only settle it by exchanging a fixed amount of its own equity instrument for a fixed amount of cash or other financial assets; If the Company exchanges a fixed amount of its own equity instruments for a variable amount of cash or other financial assets, or a variable amount of its own equity instruments for a fixed amount of cash or other financial assets, or a variable amount of its own equity instruments for a variable amount of cash or other financial assets when the conversion price is not fixed, the derivative instrument shall be recognised as a financial liability or financial asset.

#### 2. Accounting treatment for preference shares and perpetual bonds

The Company accounts for financial instruments classified as financial liabilities under "Bonds Payable", and during the life of the instrument, interest is accrued and adjustments are made to the interest adjustment on the account among others in accordance with the provisions of the Standard on the Recognition and Measurement of Financial Instruments relating to the subsequent measurement of financial liabilities at amortised cost. The Company accounts for financial instruments classified as equity instruments under "Other Equity Instruments" and dividends (including interest on instruments classified as equity instruments) distributed over its life are treated as profit distribution.

### (XXIV) Revenue

#### 1、Sales of goods

Revenue from the sale of goods is recognised on the basis of the amount of contractual or agreed prices received or receivable from purchasers when the following criteria are also satisfied: (1) the company has transferred to a purchaser the key risks and rewards of ownership of the goods; (2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the enterprise; (5) the associated costs incurred or to be incurred can be measured reliably.

If contractual or agreed price is received on a deferred basis and is financing in nature, the amount should be recognised as the fair value of the receivable contractual or agreed price.

The Company's specific criteria for recognising revenue from the sale of goods:

The same day revenue recognition method is adopted for the sale of natural gas at the gas refuelling stations of the company; The prepayment method is adopted for the sale of natural gas through its pipeline network, whereby the Company bills a customer for the actual quantity of gas used and the customer signs the bill, which is used by the Company to recognise the revenue and to deduct the amount from the payment received upfront from the customer.

Revenue from the sale of goods other than the above-mentioned products is recognised when the goods are shipped and receipt confirmations are received from customers.

#### 2. Provision of services

Revenue from provision of services is recognised using the percentage of completion method if the result of the provision of services can be estimated reliably on the balance sheet date. The Company determines the progress of completion of service transactions based on the proportion of costs already incurred to the estimated total costs.

Where the outcome of provision of services cannot be estimated reliably on the balance sheet date, the revenue is recognised as follows: (1) If the cost incurred is expected to be recoverable, income is recognised to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; (2) If the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss for the period and no service revenue is recognised.

Specific criteria for recognition of income from the provision of labour by the Company:

Revenue from gas connection business is recognised when the completion of the connection project has been confirmed by the customer, the project has reached the readiness for gas supply and the project acceptance formalities have been completed.

#### 3 · Transfer of Right to Use an Asset

Revenue from transfer of right to use an asset is recognised when it is likely that relevant economic benefits will flow to the Company, and the amount of revenue can be measured reliably.

#### (25) Government grants

##### 1. Types of government grants and accounting treatment

Government grants are monetary or non-monetary assets (but not capital contributed by the government as an owner) that the Company receives from the government at no cost. Government grants that are monetary assets shall be measured at the amount received or receivable. Government grants that are non-monetary assets are measured at fair value; if the fair value cannot be reliably obtained, it is measured at the nominal amount.

Government grants related to normal business course are included in other income in accordance with the nature of the economic operations. Government grants that are not related to normal business course are included in non-operating income and expenses.

Government grants that are explicitly provided in government documents for the acquisition or other formation of long-term assets are recognised as asset-related government grants. For a grant where the subject of the grant is not explicit specified in the government document, the part of the government grant corresponding to the value of the asset is treated as asset-related government grant and the rest as revenue-related government grant if it can form a long-term asset; For a grant that is not easily distinguishable, the government grant in a whole is treated as revenue-related government grant. Assets-related government grants are recognised as deferred income. The amount recognised as deferred revenue shall be recognised in profit or loss for the period by installments in a reasonable and systematic way over the useful life of the relevant assets.

Government grants other than asset-related ones are recognised as revenue-related government grants. Revenue-related grants used to compensate the related expenses or losses of the Company in subsequent periods are recognised as deferred revenue in profit or loss for the period when the related expenses are recognised; Government grants intended to cover related expenses or losses already incurred by the Company are directly recognised in profit or loss for the period.

In the event that the Company has policy-based preferential loan interest discount, if the fiscal authority allocates the subsidy for interests to the lending bank that grants loans to the Company at a

preferential policy rate, and the Company recognises the borrowing at the amount actually received from the bank and calculates relevant borrowing costs based on the principal of the loan and the preferential policy rate; If the subsidy for interests are paid directly to the Company, the Company reduces the related borrowing costs by the amount of the corresponding subsidy for interests.

2. Timing of recognition of government grants

A government grant is recognised when the conditions attached to the government grant can be met and the grant is received or receivable. A government grant measured at the amount receivable is recognised when there is unambiguous evidence suggesting the satisfaction of the attached conditions as set out in the fiscal support policy and the grant fund is expected to be received. Government grants other than those measured at the amount receivable will be recognised at the actual time of receiving such grants.

(XXVI) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount of assets and liabilities and its tax base (for items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognised as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available to offset deductible temporary differences. On the balance sheet date, deferred tax assets not recognised in prior period are recognised if there is conclusive evidence that sufficient taxable income is likely to be obtained in the future period to offset against deductible temporary differences. The carrying amount of deferred tax assets is reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised.

3. For taxable temporary difference related to the investments in subsidiaries and associates, the deferred income tax liabilities are recognised unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. For deductible temporary difference related to the investments in subsidiaries and associates, deferred income tax assets are recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and it is probable that future taxable income will be available against which the deductible temporary differences can be used.

(27) Lease

1. Accounting treatment method of operating leases: rental expense under operating lease is charged to the cost of the related assets or recognised in profit or loss for the period on a straight-line basis over the lease term.

2. Accounting treatment method of finance leases: the lower of the fair value of a leased-in asset and the present value of its minimum lease payments is used as the carrying amount of the leased-in asset. The difference between the carrying amount of the leased-in asset and the minimum lease payments is accounted for as an unrecognised finance expense and is amortised over the lease term using the effective interest method. The balance of the minimum lease payments after deducting the unrecognised finance charges is presented as long-term payables.

(28) Held for sale and discontinued operations

The Company classifies non-current assets or disposal groups as held for sale if both of the following criteria are satisfied: (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions; (2) Sale is highly likely. That is to say, the Company has resolved on a plan to sell and has received a firm commitment to purchase, and the sale is expected to be completed within one year. If the regulations require the Company to have the approval of the relevant authority or supervisory authority before the sale can take place, such approval shall have been obtained.

If the carrying value of a non-current asset held for sale or disposal group is greater than the net value of its fair value less costs of sale as measured at its initial measurement or as remeasured on the balance sheet date, the carrying amount is written down to the net value of fair value less cost of sale, and the amount of the write-down shall be recognised as an impairment loss on the asset in profit or loss, and an impairment charge on the asset held for sale is recognised.

Non-current assets held for sale or assets in the disposal group held for sale are presented as

held-for-sale assets in the balance sheet, and liabilities in the disposal group held for sale are presented as held-for-sale liabilities.

A discontinued operation is a separately identifiable component that satisfies one of the following conditions and which has been disposed of by the Company or classified by the Company as held for sale:

1. the component represents a separate principal business or a separate major business region;
2. This component is part of an associated plan to dispose of a separate principal business or a separate major business region;
3. The component is a subsidiary acquired specifically for resale.

(29) Notes on changes in significant accounting policies and accounting estimates

1. Changes in accounting policy and their basis

(1) In 2017, the Ministry of Finance issued the revised ASBE No. 22 - Recognition and Measurement of Financial Instruments, ASBE No. 23 - Transfers of Financial Assets, ASBE No. 24 - Hedge Accounting and ASBE No. 37 - Presentation of Financial Instruments (the above four standards are hereafter referred to as the "New Financial Instruments Standards"). The company implemented the new New Financial Instruments Standards from January 1, 2019.

The New Financial Instruments Standards classifies financial assets into three categories: (1) Financial assets measured at amortised cost; (2) Financial assets at fair value through other comprehensive income; (1) Financial assets at fair value through profit or loss. Under the New Financial Instruments Standards, the classification of financial assets is determined based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the asset. The three categories of held-to-maturity investments, loans and receivables and available-for-sale financial assets, as prescribed in the previous financial instruments standards, have been removed from the new New Financial Instruments Standards. The New Financial Instruments Standards replaces the "incurred credit loss" model in the previous Financial Instrument Standards with the "expected credit loss" model. For the Company's specific accounting policies under the new financial instruments standards, please refer to Note III (10) (11).

(2) In April 2019, the Ministry of Finance promulgated the Notice on Revised Format of General Financial Statements of Enterprises for 2019 (Cai Kuai [2019] No. 6) (hereinafter "Format of Financial Statements") and the enterprises who adopt ASBEs should prepare financial statements for 2019 and subsequent periods in accordance with the requirement of ASBEs and the Notice.

(3) In May 2019, the Ministry of Finance issued the revised ASBE No. 7 - "Exchanges of Non-monetary Assets". The revised standard is effective from 10 June 2019 and no retrospective adjustment is required for exchanges of non-monetary assets occurring before 1 January 2019, and for exchanges of non-monetary assets occurring between 1 January 2019 and the effective date, adjustments are required to be made in accordance with the revised standard.

(4) In May 2019, the Ministry of Finance issued the revised ASBE No. 12 - Debt Restructuring. The revised standard is effective from 17 June 2019 and no retrospective adjustment is required for debt restructuring that occurred prior to 1 January 2019, while debt restructuring that occurred between 1 January 2019 and the effective date is required to be adjusted in accordance with the revised standard.

2. Impact of changes in accounting policies

(1) Impact of the implementation of the new financial instrument standards

The implementation of the new financial instrument standards has led to the restatement of opening figures on financial statements, but has had no impact on statement items during the reporting period. The initial adoption of the new financial instrument standards adjusts key items in the financial statements at the beginning of the year of such adoption as follows:

Item	31 December, 2018	Amount affected	1 January, 2019
Accounts receivable	320,224,324.18	18,295,740.36	338,520,064.54
Other receivables	183,521,108.23	2,568,108.10	186,089,216.33
Available-for-sale financial assets	77,265,266.99	-77,265,266.99	



Other equity instrument investments		77,265,266.99	77,265,266.99
Deferred tax assets	193,743,958.20	-4,035,628.07	189,708,330.13
Short-term borrowings	1,090,760,000.00	2,841,851.87	1,093,601,851.87
Other payables	157,531,995.54	-5,176,208.81	152,355,786.73
Where: Interest payable	5,176,208.81	-5,176,208.81	
Non-current liabilities due within one year	149,716,666.67	2,334,356.94	152,051,023.61
Retained earnings	240,690,168.25	12,585,108.54	253,275,276.79

## (2) Impact of implementation of format of financial statement

In accordance with the requirements of the financial statement format, the Company adjusted "available-for-sale financial assets" to "investments in other equity instruments", in addition to the presentation changes arising from the implementation of the revised accounting standards described above. Except that "Notes and accounts receivable" is splitted into "Accounts Receivable" and "Notes receivable" and "Notes and accounts payable" is split into "Accounts payable" and "Notes payable", there are no impact on the Company's financial statements arising from other presentation changes. In the Income Statement, "Less: asset impairment loss" is adjusted to "Add: asset impairment losses (with loss indicated by a "-)". The Company retrospectively adjusted the comparative period statements and the change in accounting policy had no impact on the consolidated and the Company's net profit and shareholders' equity for the period.

## (3) Effect of the implementation of the revised ASBE 7 - Exchange of Non-Monetary Assets and ASBE 12 - Debt Restructuring

The Company's implementation of the above standards had no material impact during the period under review.

## IV. Taxation

## (1) Major taxes and tax rates

Taxes	Tax basis	Tax rate
VAT	Sales tax less deductible input tax	6%、9%、10%、13%、16%
Urban maintenance and construction tax	Actual amount of turnover tax payable	5%、7%
Education surcharge	Actual amount of turnover tax payable	3%
Local education surcharge	Actual amount of turnover tax payable	2%
Enterprise income tax	Income tax payable	15%、25%

Name of taxpayer	Income Tax Rate
Shandong Shengli Co., Ltd.	25%
Shandong Shengbang Plastic Co., Ltd.	15%
Chongqing Shengbang Pipeline Co., Ltd.	15%
Shaanxi Huashan Shengbang Plastic Co., Ltd.	15%
Chongqing Shengbang Gas Co., Ltd.	15%
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	15%
Other Companies	25%

## (2) Important Tax Preferential Treatments and Approval Documents

Shandong Shengbang Plastics Co., Ltd., a subsidiary of the Company has passed the certification of high-tech enterprise and obtained the certificate of high-tech enterprise, and the enterprise income tax for 2019 was calculated and paid at a tax rate of 15%.

Chongqing Shengbang Gas Co., Ltd, Chongqing Shengbang Pipeline Co., Ltd., and Qinzhou Shengli Natural Gas Utilization Co., Ltd and Shaanxi Huashan Shengbang Plastics Co., Ltd, subsidiaries of the Company have been approved to enjoy the preferential taxation policy for encouraging the development of industrial projects in the western region, and the enterprise income tax for 2019 was calculated and paid at a 15% tax rate.

## V. Notes to the key items of the consolidated financial statements

## (1) Monetary Funds

## 1、Breakdown of monetary funds

Categories	Closing balance	Opening balance
Cash	445,507.03	997,192.45
Bank deposit	459,446,453.60	461,960,944.25
Other cash at bank and on hand	280,127,500.00	556,980,099.75
Total	740,019,460.63	1,019,938,236.45

## 2、Other monetary funds

Categories	Closing balance	Opening balance
Banker's Acceptance Draft Security Deposit	269,620,000.00	315,000,000.00
Letter of Credit Security Deposit	10,507,500.00	40,980,099.75
Certificate of deposit		201,000,000.00
Total	280,127,500.00	556,980,099.75

Notes: Included in monetary funds at the end of the period were RMB167,120,000.00 in Banker's Acceptance Draft Security Deposit due over three months, RMB20,550,000.00 in certificate of deposit due over three months, RMB3,060,000.00 in for letters of credit security deposit due over three months, and RMB1,276,916.00 in interest on certificate of deposit, which were not reflected as cash and cash equivalents.



## (2) Notes receivable

Categories	Closing balance	Opening balance
Banker's acceptance bill		35,100,821.06
Commercial acceptance bill		5,800,000.00
Less: Bad debt provision		
Total		40,900,821.06

Notes receivable endorsed and derecognised at the end of the period but not yet due on the balance sheet date

Categories	Amount derecognised
Banker's acceptance bill	298,233,724.33
Total	298,233,724.33

Notes: There is no notes receivable pledged at the end of the period

## (3) Accounts receivable

## 1. Accounts receivable by category

Section I Category	Closing figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis	531,057,198.53	100.00	113,093,695.22	21.30
Where: Ageing-based grouping	531,057,198.53	100.00	113,093,695.22	21.30
Total	531,057,198.53	100.00	113,093,695.22	21.30

Categories	Opening figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis	447,905,433.32	100.00	109,385,368.78	24.42
Where: Ageing-based grouping	447,905,433.32	100.00	109,385,368.78	24.42
Total	447,905,433.32	100.00	109,385,368.78	24.42

## (1) Accounts receivable with provision for bad and doubtful debts on a group basis

Ageing	Closing figure			Opening figure		
	Book Balance	Expected credit loss ratio (%)	Bad debt provision	Book Balance	Expected credit loss ratio (%)	Bad debt provision
Less than 1 year	342,851,128.10	0.18	617,132.04	288,656,851.52	0.18	519,582.34
1 to 2 years	60,773,534.56	2.30	1,397,791.29	45,437,499.23	2.30	1,045,062.49
2 to 3 years	16,434,438.54	12.75	2,095,390.94	4,873,437.85	12.75	621,363.33
3 to 4 years	2,958,896.63	40.86	1,209,005.16	1,901,340.40	40.86	776,887.69
4 to 5 years	1,605,972.80	83.51	1,341,147.89	3,722,446.28	83.51	3,108,614.89
More than 5 years	106,433,227.90	100.00	106,433,227.90	103,313,858.04	100.00	103,313,858.04
Total	531,057,198.53	— —	113,093,695.22	447,905,433.32	— —	109,385,368.78

## (2) Provision for bad debts for the period:

The amount of bad debt provision made during the period was RMB3,708,326.44.

## (3) Five largest accounts receivable by debtor at the end of the period

Entity name	Closing balance	Percentage of total accounts receivable (%)	Bad debt provision balance
Shengbang Plastic Pipeline System Group Co., Ltd.	60,539,091.82	11.40	60,531,398.23
Bazhou Municipal People's Government	19,012,030.00	3.58	34,221.65
China Gas Materials Supply Chain Management (Shenzhen) Co., Ltd.	14,753,208.18	2.78	129,394.78
Housing and Urban-Rural Development Bureau of Zichuan District, Zibo City	10,338,595.00	1.95	81,745.62
Bazhou Construction Bureau	9,232,026.24	1.74	344,817.96
Total	113,874,951.24	21.45	61,121,578.24

## (4) Accounts Receivable Financing

Categories	Closing balance	Opening balance
Banker's acceptance bill	45,178,585.31	
Total	45,178,585.31	

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

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### (5) Prepayments

1、Prepayments are presented by ageing

Ageing	Closing balance			Opening balance		
	Amount	Percentage (%)	Bad debt provision	Amount	Percentage (%)	Bad debt provision
Less than 1 year	226,235,844.41	99.65		146,322,795.08	99.34	
1 to 2 years	608,648.07	0.27		792,315.39	0.54	
2 to 3 years	160,920.06	0.07		152,524.68	0.10	
More than 3 years	22,745.34	0.01		32,899.55	0.02	
Total	227,028,157.88	100.00		147,300,534.70	100.00	

There were no significant prepayments aged over one year at the end of the period.

2. Top 5 entities in terms of balance of prepayments

Entity name	Closing balance	Percentage of total prepayments (%)
PetroChina Company Limited Hebei Natural Gas Sales Branch	56,263,266.47	24.78
Panjin Branch, Liaoning Liaohe Petroleum Co., Ltd.	26,956,146.40	11.87
North China Natural Gas Sales Office, Natural Gas Group, PetroChina Company Limited	15,741,027.64	6.93
Shu Nan Gas Mine, Southwest China Oil and Gas Field Branch, PetroChina Company Limited	13,582,461.16	5.98
Nanjing Haitai Petrochemical Sales Co. Ltd.	13,408,338.95	5.91
Total	125,951,240.62	55.47

### (6) Other receivables

Categories	Closing balance	Opening balance
Other receivables	264,467,252.66	275,027,838.73
Less: Bad debt provision	84,751,688.26	88,938,622.40
Total	179,715,564.40	186,089,216.33

1、Other receivables

(1) Other receivables by nature

Nature of amount	Closing balance	Opening balance
Borrowing and lending with investee companies (Note 1:)	36,424,908.07	41,424,520.11
Guaranteed payments on behalf of others (Note 2:)	20,065,391.67	20,065,391.67
Current accounts and others (Note 3:)	207,976,952.92	213,537,926.95
Total	264,467,252.66	275,027,838.73

Note 1: In January 2014, the Company transferred 55% equity interest of Shandong Shengli Bioengineering Co., Ltd, a wholly-owned subsidiary of the Company, to Zhongmu Industrial Co. Ltd. In accordance with the equity transfer agreement, both parties provided financial support to Shandong Shengli Bioengineering Co., Ltd. in proportion to their shareholdings and charged it a capital

occupation fee at the bank loan interest rate for the same period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations. The amount of financial grant mentioned above is gradually decreasing. The balance for the period was RMB34,464,908.07.

Note 2: The bank loan of RMB20,000,000.00 borrowed by Qingdao Tongyong Plastic Co., Ltd. ("Qingdao Tongyong Plastic") from China Merchants Bank, which was guaranteed by the Company, matured on 10 April, 2016, and as Qingdao General Plastics failed to repay the loan on maturity, the Company fulfilled its guarantee obligations in accordance with the guarantee agreement and paid the principal and interest of RMB20,065,391.67 on the loan. Under the agreement, Qingdao General Plastics provided a collateral-based counter-guarantee for the guarantee provided by the Company with the use rights to 30 mu of land it holds. The Company has pursued the claim through litigation proceedings and won the second trial. The auction procedure of the collateral assets by the court is in progress, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

Note 3: On 23 January 2017, the Company transferred its equity interest in Shandong Shengbang Lyve Chemistry Co., Ltd., a subsidiary of the Company and recovered other receivables from that subsidiary by instalments, with RMB14,189,255.64, a part of the principle and interests thereon, recovered in 2019. The aggregate principal and interest balance of the remaining other receivables was RMB139,782,405.62 at the end of the period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

(2) Provisions made for bad debt

Bad debt provision	Stage I	Stage II	Stage III	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment)	Expected credit losses over the entire duration (credit impairments incurred)	
Opening balance	88,938,622.40			88,938,622.40
Opening balance in the current period after reassessment	88,938,622.40			88,938,622.40
Provision for the period	30,137.66			30,137.66
Reversal this period	4,217,071.80			4,217,071.80
Charge-offs for the period				
Write-offs for the period				
Other changes				
Closing balance	84,751,688.26			84,751,688.26

(3) Provision for bad debts for the period:

Categories	Opening balance	Changes of amount in the period		Closing balance
		Provision	Recovery or reversal	
Provision	262,944.68		3,687.54	259,257.14
Security deposit and Guarantee	555,269.08	30,137.66		585,406.74
Company transactions and others	88,120,408.64		4,213,384.26	83,907,024.38
Total	88,938,622.40	30,137.66	4,217,071.80	84,751,688.26

## (4) Five largest other receivables by debtor at the end of the period

Name of debtors	Nature of amount	Closing balance	Ageing	percentage of total closing other receivables (%)	Bad debt provision balance
Shandong Shengbang Lyve Chemistry Co., Ltd.	Borrowing and lending	139,782,405.62	Within 1 year, 1-2 years, 2-3 years	52.85	13,286,714.03
Shandong Shengli Bioengineering Co., Ltd.	Borrowing and lending	34,464,908.07	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years and more than 5 years	13.03	22,618,780.10
Qingdao Tongyong Plastic Co., Ltd.	Guaranteed payments on behalf of others	20,065,391.67	2-3 years	7.59	6,019,617.50
Shandong Province Petroleum Group Company	Long-aged Prepayments	2,382,557.70	More than 5 years	0.90	2,382,557.70
Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	Borrowing and lending	1,960,000.00	Less than 1 year	0.74	98,000.00
Total	—	198,655,263.06	—	75.11	44,405,669.33

## (5) Disclosure of other receivables by aging

Ageing	Closing balance	Opening balance
Less than 1 year	27,759,047.72	21,445,386.38
1 to 2 years	10,337,017.52	149,690,987.85
2 to 3 years	134,514,157.71	28,492,122.71
3 to 4 years	24,054,831.59	5,670,535.62
4 to 5 years	5,657,418.44	28,231,742.19
More than 5 years	62,144,779.68	41,497,063.98
Total	264,467,252.66	275,027,838.73

## (7) Inventories

## 1、Classification of inventories

Type of inventories	Closing balance			Opening figure		
	Book Balance	Provisions for write-down	Carrying amount	Book Balance	Provisions for write-down	Carrying amount
Raw materials	173,015,351.53	11,417,653.25	161,597,698.28	169,759,056.39	11,116,644.05	158,642,412.34
Low value consumables	108,948.13		108,948.13	116,585.21		116,585.21
Products in process	162,285,980.06		162,285,980.06	172,952,016.69		172,952,016.69
Products in stock	102,149,035.51	13,193,995.24	88,955,040.27	121,669,506.89	7,437,834.71	114,231,672.18
Packaging	600,656.68		600,656.68	1,303,381.37		1,303,381.37
Total	438,159,971.91	24,611,648.49	413,548,323.42	465,800,546.55	18,554,478.76	447,246,067.79

## 2、Provision for depreciation of inventories

Type of inventories	Opening balance	Provision for the period	Decrease for the year		Closing balance
			Write off	Other	
Raw materials	11,116,644.05	301,009.20			11,417,653.25
Products in stock	7,437,834.71	5,756,160.53			13,193,995.24
Total	18,554,478.76	6,057,169.73			24,611,648.49

Basis for provision for decline in value of inventories and reasons for reversal and write-off during the year

Item	Basis for determination of net realisable value	Reasons for write-off of provision for decline in value of inventories during the period	Reasons for other decrease of provision for decline in value of inventories during the period
Raw materials	Amount of sales achievable through sale of finished products manufactured with raw materials, less amount of further investment required to produce finished products and relevant taxes and expenses borne in connection with the realisation of sales		
Products in stock	The net amount of sales achievable through sale of products in stock less relevant taxes and expenses borne in connection with the realisation of sales.		

## (8) Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	45,744,283.07	53,891,909.89
Prepaid tax	5,169,881.88	2,453,575.37
Total	50,914,164.95	56,345,485.26

## (9) Long-term equity investments

Investor	Opening balance	Changes in the period							Closing balance	Closing balance of provision for impairment	
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment			Other
Associates:											
Qingdao Shenglong Coastal Real Estate Development Co., Ltd.	362,857,517.74			24,045,740.21						386,903,257.95	
Shandong Shengli Bioengineering Co., Ltd.	171,693,069.83			27,401,466.04		5,362,287.24				193,732,248.63	
Shandong Kunlun Shengli Energy Co., Ltd.	25,748,463.79			-3,366,695.00						22,381,768.79	
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	37,583,011.98			-218,203.54						37,364,808.44	
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	55,135,644.86			4,528,296.37						59,663,941.23	
Qingdao PetroChina Kunlun Energy Co., Ltd. (Note)	13,046,410.93		13,046,410.93								
Qingdao Kunlun Shengli Gas Co., Ltd.	101,862,359.67	13,046,410.93		3,165,034.80						118,073,805.40	25,868,518.27
Shenxian County PetroChina Kunlun Gas Co., Ltd.	10,247,077.20			670,271.47						10,917,348.67	
Naming Jiaonengsheng Energy Co., Ltd.		480,200.00	762,022.80	281,822.80							
Total	778,173,556.00	13,526,610.93	13,808,433.73	56,507,733.15		5,362,287.24				829,037,179.11	25,868,518.27

Notes: In 2019, Qingdao PetroChina Kunlun Shengli Gas Co., Ltd., a 49% owned subsidiary of the Company, absorbed and merged with Qingdao PetroChina Kunlun Energy Co., Ltd., another 49% owned subsidiary of the Company.

## (10) Other equity instrument investments

Item	Opening balance	Closing balance	Other comprehensive income recognised during the period	Transfer of accumulated gains and losses from other comprehensive income to retained earnings for the period	Reasons for the transfer
Shandong Asset Management Co., Ltd.	19,288,686.01	19,288,686.01			
Bank of Qingdao	162,708.00	498,288.78	335,580.78		
Shandong Lihuasheng Automobile Sales Co., Ltd.	6,076,022.98				
Zibo Zichuan Beihai Rural Bank Co., Ltd.	4,500,000.00	4,500,000.00			
CNOOC Tianjin LNG Co., Ltd.	47,237,850.00	47,237,850.00			
Total	77,265,266.99	71,524,824.79	335,580.78		

## (11) Investment properties

## Investment properties measured at fair value

Item	Buildings and constructions
I. Opening balance	82,387,794.00
II. Movements during the period	
Changes in fair value	-5,168,238.00
III. Closing balance	77,219,556.00

Notes: The Company's buildings located at Haikou Road, Shi Nan District, Qingdao City is accounted for as investment property and the fair value of such asset is determined in accordance with the real estate appraisal report No. (2020) Qingheng Real Estate Appraisal 015 issued by Qingdao Hengyuande Real Estate Appraisal Co. Ltd.

## (12) Fixed assets

Categories	Closing balance	Opening balance
Fixed assets	1,591,110,884.15	1,468,810,122.59
Disposal of fixed assets		
Less: Provision for impairment	2,931,076.51	2,931,076.51
Total	1,588,179,807.64	1,465,879,046.08



## 1、Fixed assets

Item	Buildings and constructions	Machinery and equipment	Means of Transportation	Gas Transmission Facilities	Other	Total
I. Original carrying amount						
1. Opening balance	259,755,298.06	613,043,427.20	106,925,670.67	903,915,007.98	20,777,843.07	1,904,417,246.98
2. Increase during the period	6,451,579.11	22,782,694.18	2,120,747.28	204,692,012.36	3,567,299.05	239,614,331.98
(1) Acquisition	6,005,087.91	22,782,694.18	1,276,966.15	1,008,125.06	3,047,699.04	34,120,572.34
(2) Transfer from construction in progress				161,054,037.27		161,054,037.27
(3) Increase from business combination	446,491.20		843,781.13	42,629,850.03	519,600.01	44,439,722.37
3. Decrease during the period	10,889,363.99	15,461,948.43	5,083,844.06		1,532,213.79	32,967,370.27
(1) Disposal or retirement	5,911,129.48	7,572,390.62	4,845,931.06		691,901.07	19,021,352.23
(2) reduction/ changes in scope of consolidation	4,978,234.51	7,889,557.81	237,913.00		840,312.72	13,946,018.04
4. Closing balance	255,317,513.18	620,364,172.95	103,962,573.89	1,108,607,020.34	22,812,928.33	2,111,064,208.69
II. Cumulative depreciation						
1. Opening balance	40,283,074.80	226,908,243.52	53,656,485.15	102,421,214.90	12,338,106.02	435,607,124.39
2. Increase during the period	9,645,919.89	30,280,735.82	9,648,552.15	41,155,594.57	6,096,154.95	96,826,957.38
(1) Provision	9,566,042.28	30,280,735.82	9,374,001.12	34,425,181.93	5,927,969.98	89,573,931.13
(2) Increase in business combinations	79,877.61		274,551.03	6,730,412.64	168,184.97	7,253,026.25
3. Decrease during the period	1,110,625.62	5,237,401.24	5,388,751.11		743,979.26	12,480,757.23
(1) Disposal or retirement	416,686.99	2,030,279.96	5,152,310.35		102,361.07	7,701,638.37
(2) reduction/ changes in scope of consolidation	693,938.63	3,207,121.28	236,440.76		641,618.19	4,779,118.86
4. Closing balance	48,818,369.07	251,951,578.10	57,916,286.19	143,576,809.47	17,690,281.71	519,953,324.54
III. Provision for impairment						
1. Opening balance				2,931,076.51		2,931,076.51
2. Increase during the period						
3. Decrease during the period						
4. Closing balance				2,931,076.51		2,931,076.51
IV. Carrying amount						
1. Closing carrying amount	206,499,144.11	368,412,594.85	46,046,287.70	962,099,134.36	5,122,646.62	1,588,179,807.64
2. Opening carrying amount	219,472,223.26	386,135,183.68	53,269,185.52	798,562,716.57	8,439,737.05	1,465,879,046.08

## (13) Construction in progress (CIP)

## 1. CIP items

## (1) Basic information of CIP items

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Construction in progress (CIP)	215,260,087.13		215,260,087.13	197,664,532.50		197,664,532.50
Total	215,260,087.13		215,260,087.13	197,664,532.50		197,664,532.50

## (2) Significant changes in CIP Item

Item name	Opening figure	Increase during the period	Transferred to fixed assets	Other decreases	Closing figure	Accumulated amount of interest capitalised	Amount of interest capitalised for the period	Source of funds
Bazhou Shunda Pipeline Project	1,528,802.74	18,442,424.63	15,768,902.01		4,202,325.36	1,253,210.93		Self-financing and borrowing
Dongtai Gas Pipeline Project	36,728,325.09	17,794,282.69	21,008,876.10		33,513,731.68	1,740,186.95		Self-financing and borrowing
Anyang Beifang Pipeline Project	50,067,681.18	30,004,236.96	30,651,343.59		49,420,574.55	6,534,280.96	2,841,033.98	Self-financing and borrowing
Yinzhou Shengli Pipeline Project	36,682,891.69		20,174,109.90		16,508,781.79			Self-financing
Zibo Luchuan Pipeline Project	22,214,616.21	23,700,633.90	20,578,648.54		25,336,601.57			Self-financing
Wenzhou Gangyao Pipeline Project	18,103,315.43	9,932,418.31	13,943,456.66		14,092,277.08			Self-financing
Chongqing Shenghang Pipeline Project	479,206.87	62,139,786.66	36,470,685.53		26,148,308.00			Self-financing
Total	165,804,839.21	162,013,783.15	158,596,022.33		169,222,600.03	9,527,678.84	2,841,033.98	

## (14) Intangible assets

Item	Land use rights	Software	Franchise rights	Total
I. Original carrying amount				
1. Opening balance	129,635,723.34	7,435,798.40	5,128,300.00	142,199,821.74
2. Increase during the period		353,572.09		353,572.09
(1) Acquisition		353,572.09		353,572.09
3. Decrease during the period	4,587,190.03		5,128,300.00	9,715,490.03
(1) Reduction/changes in scope of combination			5,128,300.00	5,128,300.00
(2) Disposal	4,587,190.03			4,587,190.03
4. Closing balance	125,048,533.31	7,789,370.49		132,837,903.80

II. Accumulated amortisation				
1. Opening balance	12,056,602.30	4,422,307.38	2,134,137.60	18,613,047.28
2. Increase during the period	2,717,532.56	598,912.44	254,822.40	3,571,267.40
(1) Provision	2,717,532.56	598,912.44	254,822.40	3,571,267.40
3. Decrease during the period	427,716.80		2,388,960.00	2,816,676.80
4. Closing balance	14,346,418.06	5,021,219.82		19,367,637.88
III. Provision for impairment				
1. Opening balance				
2. Increase during the period				
3. Decrease during the period				
4. Closing balance				
IV. Carrying amount				
1. Closing carrying amount	110,702,115.25	2,768,150.67		113,470,265.92
2. Opening carrying amount	117,579,121.04	3,013,491.02	2,994,162.40	123,586,774.46

## (15) Goodwill

## 1、Original carrying value of goodwill

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
		From business combination	Disposal	
Dong'a Dongtai Gas Co., Ltd.	191,676,567.67			191,676,567.67
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	37,961,916.33			37,961,916.33
Yantai Runtong Energy Co., Ltd.	885,627.65			885,627.65
Ji'Nan Tianchen Energy Investment Co., Ltd.	701,558.75			701,558.75
Shandong Longyu Shengli Energy Co., Ltd.	5,961,571.56			5,961,571.56
Yanggu Nanwaihuan Fengyuan Gas Refueling. Co., Ltd.	1,997,709.74		1,997,709.74	
Dong'e Sunshine Clean Energy Co., Ltd.	4,900,000.00			4,900,000.00
Puyang Boyuan Natural Gas Co., Ltd.	63,180,188.59			63,180,188.59
Shandong Qinglin Taifeng Trade Co., Ltd.	2,592,000.00			2,592,000.00
Bazhou Shengli Shunda Gas Co., Ltd.	95,681,106.01			95,681,106.01
Dalian Shengyi New Energy Development. Co., Ltd.	30,516,467.10			30,516,467.10
Zibo Lvchuan Gas Co., Ltd.	72,927,861.05			72,927,861.05
Anyang Beifang Shengli Gas Co., Ltd.	43,195,836.86			43,195,836.86
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	132,745,684.23			132,745,684.23

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

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Jiangxi Shangdiansheng Industry Investment Co., Ltd.	94,749,476.27			94,749,476.27
Chongqing Shengbang Gas Co., Ltd.	477,021,251.91			477,021,251.91
Weihai Shengli Huachang Gas Co., Ltd.	14,773,471.28			14,773,471.28
Puyang County Boyuan Natural Gas Co., Ltd.		69,548,160.04		69,548,160.04
Total	1,271,468,295.00	69,548,160.04	1,997,709.74	1,339,018,745.30

### 2、Provision for impairment of goodwill

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Yanggu Nanwaihuan Fengyuan Gas Refueling Co., Ltd.	1,227,399.79		1,227,399.79	
Shandong Longyu Shengli Energy Co., Ltd.	801,939.30			801,939.30
Yantai Runtong Energy Co., Ltd.	1,627,046.31		741,418.66	885,627.65
Dalian Shengyi New Energy Development Co., Ltd.	30,516,467.10			30,516,467.10
Shandong Qinglin Taifeng Trade Co., Ltd.	2,592,000.00			2,592,000.00
Ji'Nan Tianchen Energy Investment Co., Ltd.	701,558.75			701,558.75
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	4,595,115.72			4,595,115.72
Chongqing Shengbang Gas Co., Ltd.		8,489,766.22		8,489,766.22
Dong'e Sunshine Clean Energy Co., Ltd.		4,900,000.00		4,900,000.00
Total	42,061,526.97	13,389,766.22	1,968,818.45	53,482,474.74

### 3、Significant goodwill impairment test results

The Company performed an impairment test on the goodwill of each asset group as at 31 December 2019 and the asset groups were consistent with the group of assets recognised at the date of purchase. The recoverable amount of the asset group is determined with reference to the "Asset Appraisal Report on the Recoverable Amount of the Asset Group of 13 Companies including Anyang Beifang Shengli Gas Co., Ltd. Involved in the Proposed Impairment Test of Goodwill for Financial Reporting Purpose by Shandong Shengli Co., Ltd." (Zhong Qi Hua Ping Zi (2020) No. 3155) issued by Beijing China Enterprise Appraisal Consultation Co., Ltd.

#### (1) Key assumptions and rationale

(1) There are no significant changes in the relevant laws and regulations and policies in force, and the macroeconomic situation in China, and the political, economic and social environment of the region in which the appraised entity is located.

(2) There is no significant change in the interest rate, basis and rate of taxation and government charges.

(3) It is assumed that the management of the appraised entity is responsible, stable and capable of carrying out its duties after the valuation base date.

(4) It is assumed that the Company fully complies with all relevant laws and regulations.

(5) It is assumed that there are no other unpredictable and force majeure factors that would have a material impact on the operations of the appraised entity.

## (2) Key parameters

The recoverable amount of each major asset group for which goodwill exists is determined based on the present value of the estimated future cash flows for each asset group, and the discount rate used by the Company in the current period is the pre-tax weighted average cost of capital for each asset group, and the cost of sale for each asset group is determined based on the Company's operating budget data for the last five years (2020 to 2024), with revenue for 2025 and thereafter estimated on a perpetual basis at the 2024 level.

The main parameters of each asset group are as follows:

Company to which the asset group belongs	Forecast period	Stable period	Stable period growth rate	Profit margin	Discount rate (pre-tax weighted average cost of capital)
Anyang Beifang Shengli Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Bazhou Shengli Shunda Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Dong'e Sunshine Clean Energy Co., Ltd.	2020 to 2024	2025 and thereafter	0	Valuation calculation using the cost method	0
Dong'a Dongtai Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Puyang Boyuan Natural Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Puyang County Boyuan Natural Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Shandong Longyu Shengli Energy Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Weihai Shengli Huachang Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%
Chongqing Shengbang Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	14.55%
Zibo Lvchuan Gas Co., Ltd.	2020 to 2024	2025 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.88%

Notes: Dong'a Yangguan New Clean Energy Co., Ltd. is measured using the cost method by the Company. For other companies, the forecast cost of sale and expense are determined on an item-by-item basis based on the forecast data for each asset group for the last five years.

## (3) Goodwill impairment measurement process

Company to which the asset group belongs	The Company's shareholding (1)	Carrying amount of goodwill (2)	Recoverable amount (3)	Carrying amount of asset group assets (4)	Goodwill attributable to the company (5) = ((3)-(4)) times (1)	Goodwill impairment (6) = (2) - (5)
Anyang Beifang Shengli Gas Co., Ltd.	60.00%	43,195,836.86	300,765,547.30	300,311,056.35	272,694.57	
Bazhou Shengli Shunda Gas Co., Ltd.	51.00%	95,681,106.01	653,053,860.26	481,423,403.37	87,531,533.02	
Dong'e Sunshine Clean Energy Co., Ltd.	51.00%	4,900,000.00	61,968,056.04	72,694,870.69		4,900,000.00
Dong'a Dongtai Gas Co., Ltd.	100.00%	191,676,567.67	388,806,746.27	385,687,561.28	3,119,184.99	
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	100.00%	37,961,916.33	64,155,996.62	63,067,244.68	1,088,751.94	
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	100.00%	94,749,476.27	142,378,944.98	140,854,982.66	1,523,962.32	
Puyang Boyuan Natural Gas Co., Ltd.	51.00%	63,180,188.59	240,865,590.23	240,305,628.95	285,580.25	
Puyang County Boyuan Natural Gas Co., Ltd.	51.00%	69,548,160.04	195,309,051.46	194,792,445.91	263,468.83	
Shandong Longyu Shengli Energy Co., Ltd.	50.00%	5,159,632.26	65,650,006.19	47,429,995.78	9,110,005.21	
Weihai Shengli Huachang Gas Co., Ltd.	94.50%	14,773,471.28	63,491,345.42	58,554,243.21	4,665,561.59	
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	55.00%	128,150,568.51	332,884,778.54	329,397,726.49	1,917,878.63	
Chongqing Shengbang Gas Co., Ltd.	100.00%	477,021,251.91	734,838,392.37	743,328,158.59		8,489,766.22
Zibo Lvchuan Gas Co., Ltd.	62.70%	72,927,861.05	286,511,192.59	248,401,538.19	23,896,277.70	

## (4) Completion of performance commitments for M&amp;A and restructuring at formation of goodwill

Puyang County Boyuan Natural Gas Co., Ltd. and Wenzhou Shengli Gangye Natural Gas Co., Ltd. made performance commitment at the time of their merger or acquisition. Both companies have not yet reached the cut-off date of their performance commitments and their net profits for the period have met the performance targets as projected in their performance commitment plans.

## (16) Long-term deferred expenses

Categories	Opening balance	Increase during the period	Amortisation for the period	Other decreases	Closing balance
Land lease payments and others	16,003,839.88	11,105,967.21	10,844,970.17		16,264,836.92
Total	16,003,839.88	11,105,967.21	10,844,970.17		16,264,836.92

## (17) Deferred income tax assets, deferred income tax liabilities

## 1、Deferred income tax assets and deferred income tax liabilities

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/taxable temporary differences	Deferred income tax assets/liabilities	Deductible/taxable temporary differences
Deferred income tax assets:				
Provision for asset impairment	56,728,775.59	255,200,314.42	45,558,559.96	228,072,177.16
Deductible losses	126,896,398.10	512,090,812.03	141,861,041.35	571,522,117.93
Unrealised profits from internal sale	3,854,197.44	15,416,789.76	2,288,728.82	9,154,915.28
Subtotal	187,479,371.13	782,707,916.21	189,708,330.13	808,749,210.37
Deferred tax liabilities:				
Gains or losses from changes in the fair value of investment properties	10,296,986.60	41,187,946.40	11,755,032.12	47,020,128.48
One-off pre-tax deduction for depreciation of fixed assets	19,580,822.00	79,177,043.89		
Appreciation appraised on assets acquired not under common control	10,378,873.52	41,515,494.08	7,500,754.53	30,003,018.12
Subtotal	40,256,682.12	161,880,484.37	19,255,786.65	77,023,146.60

## 2、Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Bad debt provision	9,671,831.33	9,670,141.26
Provision for impairment of fixed assets	2,931,076.51	2,931,076.51
Provision for impairment of available-for-sale financial assets		22,104,199.27
Change in fair value of other equity instruments	16,204,199.27	
Provision for impairment of long-term equity investments	25,868,518.27	25,868,518.27
Deductible losses	398,741,929.29	457,218,537.86
Total	453,417,554.67	517,792,473.17

## 3、The deductible losses on unrecognised deferred income tax assets that will expire in the following years

Year	Closing balance	Opening balance
Year 2019		137,381,763.05
Year 2020	105,732,124.04	105,732,124.04
Year 2021	67,149,543.19	67,149,543.19
Year 2022	62,076,108.50	62,076,108.50
Year 2023	84,878,999.08	84,878,999.08
Year 2024	78,905,154.48	
Total	398,741,929.29	457,218,537.86

## (18) Other non-current assets

Item	Closing balance	Opening balance
Investment	4,000,000.00	4,000,000.00
Prepayment for equipment and Payments for Construction	46,974,017.17	43,438,503.58
Total	50,974,017.17	47,438,503.58

## (19) Short-term borrowings

Borrowing terms	Closing balance	Opening balance
Pledged loan	75,000,000.00	245,840,000.00
Mortgage loan	45,000,000.00	45,000,000.00
Guaranteed loan	455,000,000.00	449,920,000.00
Credit loan	350,000,000.00	350,000,000.00
Interest on borrowings	1,639,462.15	2,841,851.87
Total	926,639,462.15	1,093,601,851.87

Note 1: For details of assets pledged or collateralised for borrowings, see V. (52) Assets with restricted ownership rights or right to use. Note 2: There is no short-term loan overdue at the end of the period.

## (20) Notes payable

Item	Closing balance	Opening balance
Banker's acceptance bill	514,620,000.00	630,000,000.00
Commercial acceptance bill	35,000,000.00	30,000,000.00
Total	549,620,000.00	660,000,000.00

## (21) Accounts Payable

## Section II (1) By Ageing

Item	Closing balance	Opening balance
Within 1 year (inclusive)	249,855,884.82	299,429,012.42
More than 1 years	108,228,329.72	58,546,566.07
Total	358,084,214.54	357,975,578.49

There were no significant accounts payable aged over one year at the end of the period.

## (22) Advance receipts

Item	Closing balance	Opening balance
Within 1 year (inclusive)	635,073,488.39	499,088,006.25
More than 1 years	54,306,460.77	45,003,648.75
Total	689,379,949.16	544,091,655.00

There were no significant advance receipts aged over one year at the end of the period.



## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

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### (23) Employee benefits payable

#### 1、Classification of employee benefits payable

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term Benefits	35,806,931.18	227,567,420.04	204,360,657.92	59,013,693.30
II. Post-employment benefits - defined contribution plan	7,914.66	18,829,916.97	18,829,160.24	8,671.39
Total	35,814,845.84	246,397,337.01	223,189,818.16	59,022,364.69

#### 2、Short-term Employee Benefits

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1、Wages, bonuses, allowances and subsidies	21,196,229.98	190,579,738.03	170,815,213.09	40,960,754.92
2、Staff Welfare Payments	38,608.24	8,664,688.55	8,550,744.95	152,551.84
3、Social insurance premiums	1,773,355.68	9,687,717.56	9,798,985.71	1,662,087.53
Where: Medical insurance premiums	1,773,251.28	8,409,342.92	8,520,506.67	1,662,087.53
Worker's compensation insurance premiums	11.85	627,578.98	627,590.83	
Maternity insurance premiums	92.55	650,795.66	650,888.21	
4、Housing provident fund	42,552.20	8,933,009.56	8,965,511.56	10,050.20
5、Funding for trade unions and vocational education	12,756,185.08	8,492,655.72	5,020,591.99	16,228,248.81
6、Other short-term benefits		1,209,610.62	1,209,610.62	
Total	35,806,931.18	227,567,420.04	204,360,657.92	59,013,693.30

#### 3、Defined benefit plan

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1、Basic pension insurance	7,719.72	18,253,837.55	18,259,614.07	1,943.20
2、Unemployment insurance premiums	194.94	576,079.42	569,546.17	6,728.19
Total	7,914.66	18,829,916.97	18,829,160.24	8,671.39

## (24) Taxes payable

Type of Taxes	Closing balance	Opening balance
VAT	7,968,474.63	9,578,488.98
Enterprise income tax	17,306,822.35	34,596,014.02
Urban maintenance and construction tax	685,778.08	580,735.03
Property tax	400,586.22	375,090.80
Land use tax	521,267.64	698,209.34
Personal income tax	2,033,731.55	7,838,155.54
Education surcharge	491,442.76	400,725.50
Water conservancy construction fund	39,522.74	95,933.28
Stamp duty	364,507.86	203,097.07
Other taxes	53,575.50	
Total	29,865,709.33	54,366,449.56

## (25) Other payables

Categories	Closing balance	Opening balance
Dividend payable	7,303,533.44	17,469,356.97
Other payables	148,851,157.85	134,886,429.76
Total	156,154,691.29	152,355,786.73

## 1、Dividend payable

Item	Closing balance	Opening balance
Common stock dividends due from the parent company	1,497,902.15	1,497,902.15
Dividends payable to minority shareholders by Shandong Shengbang Plastic Co., Ltd.		12,758,000.00
Dividends payable to minority shareholders by Zibo Lvchuan Gas Co., Ltd.	5,805,631.29	3,213,454.82
Total	7,303,533.44	17,469,356.97

## 2、Other payables

Nature of amount	Closing balance	Opening balance
Security deposit	38,493,267.77	35,636,773.05
Amounts withheld but not paid	1,122,366.84	3,705,270.29
Amount payable to purchase stock options	61,603,112.52	55,860,300.00
Other	47,632,410.72	39,684,086.42
Total	148,851,157.85	134,886,429.76

## (26) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Amount payable to purchase stock options	73,450,000.00	88,450,000.00
Borrowings from the Bank of Dongying	1,000,000.00	15,000,000.00
Borrowings from Bank of Qi Lu	48,500,000.00	1,000,000.00
Finance Lease payments due to CSC Financial	26,666,666.67	26,666,666.67
Borrowings from ICBC	41,160,000.00	15,600,000.00
Borrowings from Bank of Hebei Pozhou Sub-branch	48,000,000.00	1,000,000.00
Proceedings from Preference shares issued to Shaanxi Financial Holding Group Co., Ltd.	2,000,000.00	2,000,000.00
Long-term borrowings with payments of interest thereon in instalments and the repayment of the principal upon maturity	707,767.71	79,245.83
Interest payable on finance leases	1,118,000.00	2,255,111.11
Total	242,602,434.38	152,051,023.61

## (27) Long-term borrowings

Borrowing terms	Closing balance	Opening balance
Guaranteed loan	161,840,000.00	117,000,000.00
Mortgage loan	18,500,000.00	47,500,000.00
Total	180,340,000.00	164,500,000.00

## (28) Long-term payables

Nature of amount	Closing balance	Opening balance
Borrowings from connected parties	60,000,000.00	60,000,000.00
Finance lease payments payable	26,666,666.67	53,333,333.33
Equity transfer payments payable	261,900,000.00	330,350,000.00
Total	348,566,666.67	443,683,333.33

## (29) Deferred revenue

## 1、Deferred revenue presented by category

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reasons of formation
Government grants	12,074,682.16	5,450,000.00	735,970.12	16,788,712.04	Asset-related government grants received
Total	12,074,682.16	5,450,000.00	735,970.12	16,788,712.04	

## 2、Government Grant Status

Item	Opening balance	Amount of new grants for the period	Amount included in other income for the period	Closing balance	Assets-related/Revenue-related
Municipal Energy Saving Funds	427,083.33		25,000.00	402,083.33	Assets-related
National Energy Conservation and Emission Reduction Comprehensive Demonstration City Award and Subsidy Fund	8,541,666.67		500,000.00	8,041,666.67	Assets-related
Incentive payments for fixed asset investment projects	3,105,932.16		163,470.12	2,942,462.04	Assets-related
Funds for a 15,000 tonne polyethylene pipe production line technical reform project (Note 1:)		950,000.00	47,500.00	902,500.00	Assets-related
Supporting facilities for the supply of natural gas to villages for clean heating (Note 2:)		2,000,000.00		2,000,000.00	Assets-related
State subsidies for central infrastructure investment budget target (Note 3:)		2,500,000.00		2,500,000.00	Assets-related
Total	12,074,682.16	5,450,000.00	735,970.12	16,788,712.04	

Note 1: in 2019, Chongqing Shengbang Pipeline Co., Ltd., a subsidiary of the Company received a fund of RMB950,000.00 from Chongqing Dazu District Economic and Information Technology Commission for a 15,000-ton polyethylene pipe production line technical reform project, specifically for the purchase of dehumidification and drying equipment and raw material conveying systems, which was put into production at the end of 2018. The Company recognises the project-specific grant over 20 years from January 2019 based on the overall useful life of the underlying assets. Thus, the Company recognised other income of RMB RMB47,500.00 this year.

Note 2: In February 2019, Dong'a Dongtai Gas Co., Ltd., a subsidiary of the Company, received from the Dong'a County Finance Bureau a state subsidy of RMB2,000,000.00 for the construction of supporting facilities for the supply of natural gas to villages for clean heating in Dong'a County, which is expected to be formally completed and used in August 2020. The Company recognises the project-specific grant based on the overall useful life of the underlying assets and no other income was recognised this year.

Note 3: In March 2019, Zibo Lvchuan Gas Co., Ltd. received from the Finance Bureau of Zichuan District a state subsidy of RMB2,500,000.00 for the construction of Lingzi LNG emergency gas storage station, which has not yet been completed. The Company expects to recognise the project-specific grant based on the overall useful life of the underlying assets and no other income was recognised this year.

For other details of government grants, please refer to the Note V. (41) Other income.

## (30) Share capital

Item	Opening balance	Change during this period (+, -)					Closing balance
		Issue of New Shares	Stock dividends	Reserve fund transferred to share capital	Other	Subtotal	
Total number of shares	880,084,656.00						880,084,656.00

## (31) Capital reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Capital premium	1,011,281,432.00			1,011,281,432.00
II. Other capital reserve	626,468.19	1,091,390.86		1,717,859.05
Total	1,011,907,900.19	1,091,390.86		1,012,999,291.05

Notes: The increase in other capital reserve is due to the reversal of capital reserve of RMB1,091,390.86 written down during the initial capital contribution upon the disposal of Zibo Lihuasheng Energy Co., Ltd., a subsidiary of the Company.

## (32) Other comprehensive income

Item	Opening balance	This Period					Closing balance
		Amount incurred before income tax during the period	Less: Amount transferred to profit or loss for the period but previously included in other comprehensive income	Less: Amount transferred to retained earnings for the period but previously included in other comprehensive income	Less: Income tax expenses	Attributable to the parent company after tax	
I. Other comprehensive income that will not be reclassified to profit or loss		335,580.78				335,580.78	335,580.78
Other equity instrument investments - Changes in fair value		335,580.78				335,580.78	335,580.78
Total other comprehensive income		335,580.78				335,580.78	335,580.78

## (33) Special Reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safe Production Fee	7,969,630.90	42,139,316.27	39,051,507.08	11,057,440.09
Total	7,969,630.90	42,139,316.27	39,051,507.08	11,057,440.09

## (34) Surplus reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	130,468,678.34	9,133,508.34		139,602,186.68
Any surplus reserves	371,490.70			371,490.70
Total	130,840,169.04	9,133,508.34		139,973,677.38

## (35) Retained earnings

Item	Closing balance	
	Amount	Percentage of appropriation or distribution
Retained earnings of the previous year before adjustment	240,690,168.25	
Adjustments to total retained earnings at the beginning of the period (increase +, decrease -)	12,585,108.54	
Retained earnings at the beginning of the period after adjustment	253,275,276.79	
Add: Net profit attributable to the owners of parent company this period	133,427,291.24	
Less: Appropriation to statutory surplus reserves	9,133,508.34	10% of net profit of the parent company
Common stock dividends payable		
Retained earnings at the end of the year	377,569,059.69	

Notes: Statutory surplus reserve is provided at a rate of 10% of the parent company's net profit for the period after offsetting previous years' losses.

## (36) Operating income and operating cost

Item	This Period		Previous period	
	Revenue	Cost	Revenue	Cost
I. Principal businesses	5,344,468,069.48	4,540,599,582.84	4,667,856,323.36	3,933,903,005.12
Sale of gas for automotive	1,378,395,791.89	1,296,434,939.67	1,238,468,206.76	1,247,978,714.28
Sale of piped gas	2,267,432,207.01	1,704,498,000.53	2,130,645,014.44	1,543,415,578.38
Sales of plastic pipes	540,204,074.28	435,591,290.32	608,572,615.05	492,982,148.38
Merchandise trading and other businesses	1,158,435,996.30	1,104,075,352.32	690,170,487.11	649,526,564.08
II. Other businesses	3,815,333.90	1,912,201.01	7,943,776.94	2,840,393.11
Total	5,348,283,403.38	4,542,511,783.85	4,675,800,100.30	3,936,743,398.23

## (37) Tax and Surcharges

Item	This Period	Previous period
Urban maintenance and construction tax	3,982,821.93	3,174,831.13
Education surcharge	3,037,948.51	2,392,233.62
Property tax	1,721,943.40	1,617,984.02
Land use tax	3,073,738.70	3,181,972.73
Stamp duty	2,105,066.67	2,173,141.76
Vehicle tax	202,622.32	125,320.15
Water conservancy construction fund	139,963.63	294,075.02
Other	267,852.23	
Total	14,531,957.39	12,959,558.43

## (38) Cost of Sales

Item	This Period	Previous period
Employee Benefits	91,999,410.49	63,123,041.32
Transportation costs	53,316,597.40	44,804,816.29
Depreciation expenses	51,794,093.71	45,337,879.08
Safe Production Fee	33,656,760.32	28,583,613.31
Rental payment	17,090,761.53	15,184,217.74
Consulting fees	13,231,593.44	15,570,525.54
Entertainment expenses	7,434,081.47	6,954,539.02
Advertising fees	4,880,806.31	3,062,517.58
Travel expenses	1,888,316.36	2,069,820.40
Other	23,829,617.36	22,722,860.08
Total	299,122,038.39	247,413,830.36

## (39) Administrative expenses

Item	This Period	Previous period
Employee Benefits	84,886,328.85	66,410,419.24
Entertainment expenses	2,649,241.86	9,492,640.42
Depreciation expenses	8,353,898.48	7,148,109.30
Rental payment	4,395,921.30	3,654,209.35
Travel expenses	2,017,092.48	2,624,812.56
Intangible asset amortisation	2,290,457.34	2,520,392.76
Consulting fees	8,629,455.06	5,576,959.90
Auditing fees	2,798,403.53	2,115,204.35
Fuel cost	2,658,137.71	2,824,588.07
Repairing expenses	1,833,903.90	2,737,382.73
Freight and miscellaneous charges	1,260,414.68	1,254,355.30
Property management fees	957,413.73	478,136.82
Other	25,798,117.04	25,540,460.32
Total	148,528,785.96	132,377,671.12

## (40) R&amp;D expenses

Item	This Period	Previous period
Material costs	13,721,748.84	13,689,784.96
Employee Benefits	4,217,961.96	2,688,025.16
Depreciation expenses	455,211.19	425,055.54
Other	884,635.42	860,452.99
Total	19,279,557.41	17,663,318.65

## (41) Financial expenses

Item	This Period	Previous period
Interest expenses	100,623,924.62	114,341,172.94
Less: Interest income	25,737,481.90	19,485,794.54
Exchange losses	-316.76	-733.55
Handling fee expenses	3,299,571.00	4,479,144.52
Total	78,185,696.96	99,333,789.37

## (42) Other income

Categories	This Period	Previous period
Municipal Energy Saving Funds (Note 1:)	25,000.00	25,000.00
National Energy Saving and Emission Reduction Grants (Note 2:)	500,000.00	500,000.00
Incentive payments for fixed asset investment projects (Note 3:)	163,470.11	163,470.11
Natural Gas Price Regulation Fund		1,600,000.00
Annual subsidy for plant rental (Note 4:)	3,200,000.00	3,200,000.00
Funds for 15,000 tonnes polyethylene pipe production line technical reform project	47,500.00	
Personal income tax rebate	247,635.11	
Total	4,183,605.22	5,488,470.11

Note 1: Dong'a Yangguang Clean Energy Co., Ltd., a subsidiary of the Company, received a special municipal energy conservation grant of RMB500,000.00 from Dong'a County Finance Bureau in December 2015, which was specifically used for the construction of the Company's coke gasification project, which was officially put into production in February 2016, and the Company recognised the project-specific subsidy fund in 20 years from February 2016 in accordance with the overall useful life of the relevant assets. Thus, other income of RMB25,000.00 was recognised during the year.

Note 2: Dong'a Yangguang Clean Energy Co., Ltd., a subsidiary of the Company, received a national energy saving and emission reduction subsidy fund of RMB10,000,000.00 from the Dong'a County Finance Bureau in 2016, which was specifically used for the construction of the Company's coke gasification project, which was formally put into production in February 2016, and the Company recognised the project specific subsidy fund in 20 years from February 2016 in accordance with the overall useful life of the relevant assets. Thus, the Company recognised other income of RMB500,000.00 for the year.

Note 3: In accordance with the Investment Agreement for the 50,000-ton per annum polyethylene pipe production base project entered into between Shandong Shengbang Pipeline Technology Co., Ltd. and the Management Committee of Dongying Economic and Technological Development Zone, the Company received an incentive payment of RMB3,269,402.27 from the Finance Bureau of Dongying Economic and Technological Development Zone for the fixed asset investment project in 2018, which was used for the purchase of fixed assets for the production of 50,000 tonnes of polyethylene pipes. The Company recognised other income of RMB163,470.11 in the current year based on the overall useful life of the relevant assets under the project grant funds, which is recognised over 20 years starting from January 2018.

Note 4: Shandong Shengbang Pipeline Technology Co., Ltd., a subsidiary of the Company, received a plant rental subsidy of RMB3,200,000.00 from the Finance Bureau of Dongying Economic and Technological Development Zone in June 2019 pursuant to the Investment Agreement of the 50,000 tonnes per annum polyethylene pipe production base project entered into between Shandong Shengbang and the Management Committee of Dongying Economic and Technological Development Zone.

## (43) Investment income

Categories	This Period	Previous period
Income from long-term equity investment accounted for under the equity method	56,507,733.15	62,780,135.36
Investment income arising from disposal of long-term equity investment	1,760,952.71	-3,908,708.01
Investment income from available-for-sale financial asset during the holding period		16,777.40
Total	58,268,685.86	58,888,204.75

## (44) Income from changes in fair value

Sources of income from changes in fair value	This Period	Previous period
Investment properties measured at fair value	-5,168,238.00	-6,049,878.60
Change in value of equity transfer payment	281,910.92	
Total	-4,886,327.08	-6,049,878.60

## (45) Credit impairment losses

Section III items	This Period	Previous period
Bad debt loss (with loss indicated by a negative "-")	478,607.70	
Total	478,607.70	



## (46) Asset impairment loss

Section IV items	This Period	Previous period
Loss on bad debts		-23,170,635.14
Loss on inventory write-down	-6,057,350.24	
Impairment losses on goodwill	-12,648,347.56	-17,737,539.96
Impairment loss on long-term equity investments		-11,638,805.51
Total	-18,705,697.80	-52,546,980.61

## (47) Gains on Disposal of Assets

Categories	This Period	Previous period
Gains or losses on disposal of non-current assets	718,169.60	586,005.65
Total	718,169.60	586,005.65

## (48) Non-operating income

## 1、Non-operating income is presented separately

Item	This Period	Previous period	Amount included in non-recurring profit or loss for the period
Government grants	2,271,508.81	1,160,000.00	2,271,508.81
Other	2,629,497.36	1,057,951.25	2,629,497.36
Total	4,901,006.17	2,217,951.25	4,901,006.17

## 2、Government grants recognised in profit or loss for the period

Item	This Period	Previous period	Assets-related/Revenue-related
Government awards (Note 1-5-)	2,050,000.00		Revenue-related
National Standard Drafting Moderation Awards		1,000,000.00	Revenue-related
Government grants	221,508.81	160,000.00	Revenue-related
Total	2,271,508.81	1,160,000.00	

Note 1: In accordance with the Notice of the "Provisional Measures for the Administration of Dongying Enterprise Research and Development Financial Subsidy Funds" and the "Implementation Opinions on Deepening the Reform of Science and Technology System and Accelerating Innovation and Development" of the Dongying Municipal Party Committee and the Dongying Municipal People's Government, Shandong Shengbang Plastics Co. Ltd. received a municipal level research and development grant of RMB500,000.00 and a provincial level research and development grant of RMB500,000.00 from Dongying Financial Centralised Payment Centre respectively in June 2019.

Note 2: According to the "List of Projects to be Supported by the First Tranche of Chongqing Industrial and Information Technology Project Special Fund in 2019", Chongqing Shengbang Pipeline Co., Ltd., a subsidiary of the Company, received RMB150,000.00 from the Finance Bureau of Dazu District in December 2019 as incentive for the development and upgrade of the business.

Note 3: Pursuant to the "Notice of Incentive for Scaling Up Small Industrial Enterprises" issued by the Dazu District Economic and Information Commission, Chongqing Shengbang Gas Co., Ltd., a subsidiary of the Company, received an incentive payment of RMB200,000.00 from the Finance Bureau of Dazu District in December 2019.

Note 4: Pursuant to the Decision of the CPC Bazhou Municipal Committee and Bazhou Municipal People's Government on Nominating and Recognising Leading Groups and Individuals in 2018 (Ba Zi [2019] No. 7), Bazhou Shengli Shunda Gas Co., Ltd., a subsidiary of the Company, received an incentive payment of RMB500,000.00 from the Bazhou Municipal Finance Bureau for private enterprises in December 2019.

Note 5: Total other incentives amounted to RMB200,000.00.

## (49) Non-operating expenses

Item	This Period	Previous period	Amount included in non-recurring profit or loss for the period
Fine expenses	463,583.21	600,195.40	463,583.21
Outbound donations	42,500.00	224,700.00	42,500.00
Loss on decommissioning and retirement of non-current assets	941,949.92		941,949.92
Other	1,551,345.46	382,525.61	1,551,345.46
Total	2,999,378.59	1,207,421.01	2,999,378.59

## (50) Income tax expenses

## 1. Breakdown of income tax expenses

Item	This Period	Previous period
Current income tax calculated in accordance with the tax law and related regulations	60,898,524.35	82,537,992.04
Deferred income tax expenses	23,229,854.47	-27,743,319.69
Total	84,128,378.82	54,794,672.35

## 2. Profit and income tax expense adjustment process for accounting purpose

Item	Amount
Total profit	288,082,254.50
Income tax expense at statutory/applicable rates	72,020,563.63
Effect of different tax rates applicable to subsidiaries	-8,856,623.89
Effect of adjustment to prior period income tax	-2,854,539.94
Effect of non-taxable income (for example, recognition of investment income under the equity method)	-14,126,933.29
Effect of non-deductible costs, expenses and losses	8,633,527.93
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the period	29,312,384.39
Income tax expenses	84,128,378.82

## (51) Cash flow statement

## 1. Other cash received or paid related to operating activities

Item	This Period	Previous period
Other cash received relating to operating activities	35,356,062.60	29,773,148.06
Where: Interest received	22,715,395.30	19,485,794.54
Government grants received	10,867,250.42	9,229,402.27
Other	1,773,416.88	1,057,951.25
Other cash paid relating to operating activities	227,635,117.35	251,991,061.69
Where: Cash expenses in administrative expenses	60,852,168.20	55,999,402.53
Cash expenses in operating expenses	151,086,621.85	164,816,700.85
Other	15,696,327.30	31,174,958.31

## 2. Other cash received and paid relating to investing activities

Item	This Period	Previous period
Other cash received relating to investing activities	10,000,000.00	20,570,462.28
Where: Recovery of the Loan to Lyve Chemicals	10,000,000.00	20,000,000.00
Other		570,462.28
Other cash paid relating to investing activities	2,000,000.00	8,996,807.55
Lendings		5,960,000.00
Other	2,000,000.00	3,036,807.55

## 3. Other cash received and paid relating to financing activities

Item	This Period	Previous period
Other cash received relating to financing activities		460,000,000.00
Where: Net cash received on financing notes		360,000,000.00
Interest-free loan received from Shandong Shengli Investment Co., Ltd., a shareholder, to the listed company		40,000,000.00
Loan received from Qingdao Shengtong Coastal Real Estate Development Co., Ltd., an investee company		60,000,000.00
Other cash paid relating to financing activities	22,500,000.00	40,000,000.00
Where: Repayment of interest-free loan from Shandong Shengli Investment Co., Ltd. to the listed company		40,000,000.00
Deposits paid for note financing	22,500,000.00	

## (52) Supplementary information to the cash flow statement

## 1. Supplementary information to the cash flow statement

Item	This Period	Previous period
1、Adjustment of net profit to cash flows from operating activities		
Net profit	203,953,875.68	181,890,213.33
Add: Asset impairment loss	18,705,697.80	52,546,980.61
Credit impairment losses	-478,607.70	
Fixed asset depreciation, oil and gas asset depreciation and productive biological asset depreciation	89,573,931.13	80,762,190.61
Intangible asset amortisation	3,571,267.40	2,520,392.76
Amortization of long-term deferred expenses	10,844,970.17	7,128,597.05
Loss on disposal of fixed assets, intangible assets and other long-term assets (with gains denoted by a "-")	-718,169.60	-586,005.65
Loss on retirement of fixed assets (with gains denoted by "-")	941,949.92	
Loss on changes in fair value (with gains denoted by "-")	4,886,327.08	6,049,878.60
Financial expenses (with gains denoted by a "-")	100,623,924.62	114,341,172.94
Investment losses (with gains denoted by a "-")	-58,268,685.86	-58,888,204.75
Decrease in deferred income tax assets (with increase denoted by a "-")	2,228,959.00	-25,841,245.40
Increase in deferred income tax liabilities (with decrease denoted by a "-")	21,000,895.47	-1,884,525.78
Decrease in inventories (with increase denoted by a "-")	27,640,574.64	-34,568,927.94

Decrease in operating receivables (with increase denoted by a "-")	-167,157,152.64	-50,800,194.17
Increase in operating payables (with decrease denoted by a "-")	333,447,906.92	11,272,083.06
Other		
Net cash flows from operating activities	590,797,664.03	283,942,405.27
2、Significant investment and financing activities that do not involve cash flow		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets leased-in under Finance Lease		
3、Net changes in cash and cash equivalents		
Closing cash balance	548,012,544.63	551,938,236.45
Less: Opening cash balance	551,938,236.45	529,877,379.21
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-3,925,691.82	22,060,857.24

## 2. Net cash paid during the year for acquisition of a subsidiary

Item	Amount
Cash or cash equivalents paid in the period for business combinations that occurred during the period	44,627,187.48
Less: Cash and cash equivalents held by subsidiaries on the date of purchase	656,171.30
Add: cash or cash equivalents paid during the period for business combination in previous periods	125,953,102.78
Net cash paid for acquisition of subsidiaries	169,924,118.96

## 3. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	548,012,544.63	551,938,236.45
Where: Cash in stock	445,507.03	997,192.45
Bank deposits readily available for payment	365,619,537.60	461,960,944.25
Other monetary funds readily available for payment	181,947,500.00	88,980,099.75
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	548,012,544.63	551,938,236.45
Cash and cash equivalents in the parent or subsidiaries with restriction in use	192,006,916.00	468,000,000.00

Notes: Included in other monetary funds at the end of the period were RMB167,120,000.00 in Banker's Acceptance Draft Security Deposit due over three months, RMB20,550,000.00 in certificate of deposit due over three months, RMB3,060,000.00 in for letters of credit security deposit due over three months, and RMB1,276,916.00 in interest on certificate of deposit, which were not reflected as cash and cash equivalents.

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### (53) Assets with restricted ownership or right to use

Item	Amount	Reason for restriction on ownership or right to use
I. Assets used as collateral	Net value at end of period	
Buildings and land	113,600,720.20	Assets used as collateral for borrowings
Subtotal	113,600,720.20	
II. Assets used for pledge	Closing amount	
Shareholding in the Company	1,025,673,282.38	Assets pledged for borrowings
Subtotal	1,025,673,282.38	
III. Assets with restricted ownership rights due to other reasons	Closing amount	
Acceptance Draft Security Deposit	269,620,000.00	Security deposit
Letter of Credit Security Deposit	10,507,500.00	Security deposit
Certificate of deposit	92,550,000.00	
Subtotal	372,677,500.00	
Total	1,511,951,502.58	

### VI. Changes to the scope of consolidation

#### (1) Business combination not under common control occurred during the period

##### 1. Basic information on combinations

Name of acquiree	Time of acquisition of equity	Cost of acquisition of equity	Equity percentage acquired (%)	Means of acquisition	Date of Acquisition	Basis for determining the date of acquisition	Revenue of acquiree from date of acquisition to period end	Net profit of acquiree from date of acquisition to period end
Puyang County Boyuan Natural Gas Co., Ltd.	13 June 2019	89,250,000.00	51	Cash Payment	13 June 2019	Equity transfer	64,563,220.80	9,053,736.08

##### 2. Combination costs and goodwill

Combination costs	Puyang County Boyuan Natural Gas Co., Ltd.
Cash	89,250,000.00
Fair value of equity securities issued	
Total combination costs	89,250,000.00
Less: Fair value share of identifiable net assets acquired	19,701,839.96
Amount of Goodwill	69,548,160.04

##### 3. Identifiable assets and liabilities of the acquiree at the date of acquisition

Company name	Puyang County Boyuan Natural Gas Co., Ltd.	
	Fair value at the date of acquisition	Carrying value at the date of acquisition
Assets:		
Monetary Funds	656,171.30	656,171.30
Notes receivable	1,220,000.00	1,220,000.00

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Receivables	9,949,468.93	9,400,163.04
Prepayments	1,667,089.12	1,667,089.12
Other receivables	718,881.18	669,368.16
Inventories	1,474,743.68	1,474,743.68
Other current assets		
Available-for-sale financial assets		
Long-term equity investments		
Fixed assets	37,186,696.12	31,573,285.69
Construction in progress (CIP)	616,490.52	616,490.52
Intangible assets		
Long-term deferred expenses	438,125.19	438,125.19
Deferred tax assets	10,043.70	159,748.43
Total assets:	53,937,709.74	47,875,185.13
Liabilities:		
Short-term borrowings		
Accounts payable	1,240,331.03	1,240,331.03
Advance receipts	6,180,626.77	6,180,626.77
Interest payable		
Employee benefits payable	28,988.70	28,988.70
Taxes payable	868,887.49	868,887.49
Other payables	1,781,097.40	1,781,097.40
Deferred tax liabilities	1,403,352.60	
Other non-current liabilities		
Total liabilities:	11,503,283.99	10,099,931.39
Total net assets:	42,434,425.75	37,775,253.74

Company name	Puyang County Boyuan Natural Gas Co., Ltd.	
	Fair value at the date of acquisition	Carrying value at the date of acquisition
Less: Special Reserves	3,803,367.00	3,803,367.00
Less: Minority stockholder's interest		
Share acquired and attributable to the acquirer	19,701,839.96	17,325,662.24

## (2) Disposal of equity in subsidiaries during the period

## Loss of control upon a single disposal of an investment in a subsidiary

Subsidiary Name	Disposal Price	Disposal ratio (%)	Point of loss of control	Basis for determining the point at which control is lost	The difference between the disposal price and the share of the net assets of the subsidiary at the consolidated financial statement level corresponding to the disposal of the investment	Percentage of remaining shareholding at the date of loss of control (%)	Carrying amount of remaining equity interests at the date of loss of control	Fair value of remaining equity interests at the date of loss of control	Gain or loss arising on remeasurement of remaining shareholdings to fair value	Methodology and key assumptions for determining the fair value of the remaining equity interest at the date of loss of control
Shandong Shengli Great Liquor Cellar Co., Ltd.	4,751,500.00	100	5 March 2019	Date when shareholding falls below 50%	-66,395.88	0.00	0.00	0.00	0.00	By share of net assets of the investee
Yanggu Nanwaihuan Fengyuan Gas Refueling Co., Ltd.	3,500,000.00	100	31 December, 2019	Date when shareholding falls below 50%	1,766,539.17	0.00	0.00	0.00	0.00	By share of net assets of the investee
Zibo Lihuasheng Natural Gas Utilities Co., Ltd.	850,000.00	100	31 December, 2019	Date when shareholding falls below 50%	-3,154,015.00	0.00	0.00	0.00	0.00	By share of net assets of the investee
Nanning Shengxin Natural Gas Utilities Co., Ltd.	6,377,103.09	100	1 August 2019	Date when shareholding falls below 50%	3,355.51	0.00	0.00	0.00	0.00	By share of net assets of the investee
Laiwu Nengquan Petroleum Sales Co., Ltd.	2,400,000.00	100	16 August 2019	Date when shareholding falls below 50%	-81,508.29	0.00	0.00	0.00	0.00	By share of net assets of the investee

## VII. Interests in other entities

## (1) Interests in Subsidiaries

## 1. Composition of the Group

Subsidiary Name	Registration place	Main place of operation	Nature of business	Shareholding (%)	Means of acquisition
Shaanxi Huashan Shengbang Plastic Co., Ltd.	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Manufacturing	51.00	Incorporation
Qingdao Shengli Petrochemical Products Sales Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Trade	94.00	Incorporation
Shandong Shengbang Plastic Co., Ltd.	Dongying City, Shandong Province	Dongying City, Shandong Province	Manufacturing	80.00	Incorporation
Shandong Shengbang Pipeline Technology Co., Ltd.	Dongying City, Shandong Province	Dongying City, Shandong Province	Manufacturing	100.00	Incorporation
Chongqing Shengbang Pipeline Co., Ltd.	Chongqing	Chongqing	Manufacturing	100.00	Incorporation

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Shandong Shengli Import & Export Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Trade	100.00	Incorporation
Qingdao Shengli Meijiuhe Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Catering	100.00	Incorporation
Shandong Lihuasheng Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	Qinzhou City, Guangxi Province	Qinzhou City, Guangxi Province	Natural Gas	81.00	Incorporation
Shandong Huasheng Energy Co., Ltd.	Yanzhou City, Shandong Province	Yanzhou City, Shandong Province	Natural Gas	60.00	Incorporation
Shandong Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Dezhou Shengli Luban Energy Co., Ltd.	Dezhou, Shandong Province	Dezhou, Shandong Province	Natural Gas	80.00	Incorporation
Ji'Nan Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Heze Shengli Natural Gas Co., Ltd.	Heze City, Shandong Province	Heze City, Shandong Province	Natural Gas	51.00	Incorporation
Rizhao Natural Gas Co., Ltd.	Rizhao City, Shandong Province	Rizhao City, Shandong Province	Natural Gas	100.00	Incorporation
Dezhou Shengli Natural Gas Co., Ltd.	Dezhou, Shandong Province	Dezhou, Shandong Province	Natural Gas	100.00	Incorporation
Linyi Shengli Energy Co., Ltd.	Linyi City, Shandong Province	Linyi City, Shandong Province	Natural Gas	76.00	Incorporation
Taian Shengli Energy Co., Ltd.	Tai'an City, Shandong Province	Tai'an City, Shandong Province	Natural Gas	51.00	Incorporation
Weifang Shengli Natural Gas Co., Ltd.	Weifang City, Shandong Province	Weifang City, Shandong Province	Natural Gas	100.00	Incorporation
Binzhou Shengli Natural Gas Co., Ltd.	Binzhou, Shandong	Binzhou, Shandong	Natural Gas	100.00	Incorporation
Qingdao Longyu Shengli Energy Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	100.00	Incorporation
Heze Shenghong Gas Co., Ltd.	Heze City, Shandong Province	Heze City, Shandong Province	Natural Gas	100.00	Incorporation
Shandong Lihuasheng Transportation Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Transportation	100.00	Incorporation
Qingdao Hengchang Trade. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Trade	100.00	Incorporation
Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Real Estate Properties	62.50	Combination not under common control
Ji'Nan Tianchen Energy Investment Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Combination not under common control
Yantai Runtong Energy Co., Ltd.	Yantai City, Shandong Province	Yantai City, Shandong Province	Natural Gas	100.00	Combination not under common control
Weihai Runli Energy Co., Ltd.	Weihai City, Shandong Province	Weihai City, Shandong Province	Natural Gas	100.00	Combination not under common control
Shandong Longyu Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	50.00	Combination not under common control
Dong'a Dongtai Gas Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Combination not under common control
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Combination not under common control



Dong'e Sunshine Clean Energy Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Manufacturing	51.00	Combination not under common control
Qingdao Runhao Natural Gas Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	100.00	Combination under common control
Puyang Boyuan Natural Gas Co., Ltd.	Qingfeng County, Henan Province	Qingfeng County, Henan Province	Natural Gas	51.00	Combination not under common control
Shandong Qinglin Taifeng Trade Co., Ltd.	Liaocheng City, Shandong Province	Liaocheng City, Shandong Province	Natural Gas	60.00	Combination not under common control
Bazhou Shengli Shunda Gas Co., Ltd.	Bazhou, Hebei Province	Bazhou, Hebei Province	Natural Gas	51.00	Combination not under common control
Dalian Shengyi New Energy Development Co., Ltd.	Dalian City, Liaoning Province	Dalian City, Liaoning Province	Natural Gas	100.00	Combination not under common control
Zibo Lvchuan Gas Co., Ltd.	Zibo City, Shandong Province	Zibo City, Shandong Province	Natural Gas	62.704	Combination not under common control
Anyang Beifang Shengli Gas Co., Ltd.	Anyang City, Henan Province	Anyang City, Henan Province	Natural Gas	60.00	Combination not under common control
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	Wenzhou, Zhejiang Province	Wenzhou, Zhejiang Province	Natural Gas	55.00	Combination not under common control
Tianjin Hengrongda Technology Co., Ltd.	Tianjin City	Tianjin City	Natural Gas	95.00	Combination not under common control
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Natural Gas	100.00	Combination not under common control
Pengze County Natural Gas Co., Ltd.	Jiujiang City, Jiangxi Province	Jiujiang City, Jiangxi Province	Natural Gas	85.00	Combination not under common control
Chongqing Shengbang Gas Co., Ltd.	Dazu District, Chongqing City	Dazu District, Chongqing City	Natural Gas	100.00	Combination not under common control
Weihai Shengli Huachang Gas Co., Ltd.	Weihai City, Shandong Province	Weihai City, Shandong Province	Natural Gas	94.50	Combination not under common control
Puyang County Boyuan Natural Gas Co., Ltd.	Puyang County, Henan Province	Puyang County, Henan Province	Natural Gas	51.00	Combination not under common control

## 2、Information on significant non-wholly-owned subsidiary

SN	Company name	Shareholding of minority shareholders (%)	Profit or loss for the period attributable to minority shareholders	Dividends paid to minority shareholders during the period	Cumulative minority interest at the end of the year
1	Shandong Shengbang Plastic Co., Ltd.	20.00	2,656,388.80		34,730,770.99
2	Shandong Huasheng Energy Co., Ltd.	40.00	-7,688,772.69		8,368,397.86
3	Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	37.50	3,926,123.66		70,709,950.26
4	Puyang Boyuan Natural Gas Co., Ltd.	49.00	11,307,991.83	15,466,007.03	43,147,212.88
5	Bazhou Shengli Shunda Gas Co., Ltd.	49.00	33,513,836.59	41,878,405.39	109,448,022.51
6	Zibo Lvchuan Gas Co., Ltd.	37.296	8,135,664.22	4,834,409.11	44,864,822.27
	Total	—	51,851,232.41	62,178,821.53	311,269,176.77

## 3、Key financial information on significant non-wholly owned subsidiaries

Subsidiary Name	Closing balance					Opening balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities
Shandong Shengbang Plastics Co., Ltd.	496,120,531.03	106,759,604.10	602,880,135.13	376,381,318.16	429,226,280.20	440,471,183.20	111,234,687.24	551,705,870.44	366,027,340.96	399,133,273.12
Shandong Huasheng Energy Co., Ltd.	24,906,782.67	181,412,833.02	206,319,615.69	185,398,621.03	185,398,621.03	24,765,058.49	190,348,972.78	215,114,031.27	175,552,462.70	175,552,462.70
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	6,798,857.71	225,649,155.41	232,448,013.12	43,794,253.36	43,794,253.36	7,824,354.25	212,082,189.83	219,906,544.08	41,736,347.28	41,736,347.28
Puyang Boyuan Natural Gas Co., Ltd.	123,246,186.89	98,844,397.02	222,090,583.91	132,652,911.27	134,035,047.42	126,130,816.98	97,995,094.80	224,125,911.78	126,060,165.14	126,685,404.99
Bazhou Shengli Shunda Gas Co., Ltd.	363,575,564.04	288,459,901.10	652,035,465.14	423,275,514.73	428,672,153.90	380,911,047.57	275,725,935.04	656,636,982.61	367,198,798.06	415,198,798.06
Zibo Lvchuan Gas Co., Ltd.	123,101,801.14	140,568,937.78	263,670,738.92	131,040,852.29	143,376,813.91	108,920,689.83	121,163,021.33	230,083,711.16	118,335,180.73	121,554,589.49
Total	1,137,749,723.48	1,041,694,828.43	2,179,444,551.91	1,292,543,470.84	1,364,503,169.82	1,089,023,150.32	1,008,549,901.02	2,097,573,051.34	1,194,910,294.87	1,279,860,875.64

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Subsidiary Name	This Period			Previous period		
	Operating Income	Net profit	Total comprehensive income	Operating Income	Net profit	Total comprehensive income
Shandong Shengbang Plastic Co., Ltd.	551,575,317.75	13,281,943.98	13,281,943.98	566,179,781.53	10,211,530.53	10,211,530.53
Shandong Huasheng Energy Co., Ltd.	220,404,997.86	-19,221,931.73	-19,221,931.73	97,756,450.34	-16,785,544.16	-16,785,544.16
Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	96,450.70	10,476,865.71	10,476,865.71	123,038.83	10,421,839.33	10,421,839.33
Puyang Boyuan Natural Gas Co., Ltd.	254,834,031.22	23,077,534.34	23,077,534.34	187,493,364.86	19,386,982.43	19,386,982.43
Bazhou Shengli Shunda Gas Co., Ltd.	781,705,738.91	68,395,584.88	68,395,584.88	791,891,565.71	94,962,370.50	94,962,370.50
Zibo Lvchuan Gas Co., Ltd.	349,522,200.68	21,813,771.50	21,813,771.50	386,006,083.19	17,649,214.06	17,649,214.06
Total	2,158,138,737.12	117,823,768.68	117,823,768.68	2,029,450,284.46	135,846,392.69	135,846,392.69

## (2) Interests in joint ventures or associates

## 1. Particulars of joint ventures and associates

Company name	Main place of operation	Registration place	Nature of business	Shareholding (%)		Accounting treatment
				Direct	Indirect	
Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Real Estate Properties	17.00	20.00	Equity method
Qingdao Kunlun Shengli Gas. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	49.00		Equity method
Shandong Shengli Bioengineering Co., Ltd.	Jining City, Shandong Province	Jining City, Shandong Province	Biopharmaceuticals	45.00		Equity method
Shandong Kunlun Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	49.00		Equity method
Shandong Shengbang Plastic Pipeline System Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Plastic pipe projects	40.00		Equity method
Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	Rizhao City, Shandong Province	Rizhao City, Shandong Province	Natural Gas	49.00		Equity method
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	Linyi City, Shandong Province	Linyi City, Shandong Province	Natural Gas	30.00		Equity method
Shenxian County PetroChina Kunlun Gas Co., Ltd.	Xin County, Shandong Province	Xin County, Shandong Province	Natural Gas	— —	40.00	Equity method

## 2. Key financial information on significant associates

Item	Closing balance / Amount incurred during the period		Opening balance / Amounts incurred during the previous period	
	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Qingdao Kunlun Shengli Gas. Co., Ltd.	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Qingdao Kunlun Shengli Gas. Co., Ltd.
Current assets	1,073,443,540.47	21,904,396.42	997,940,087.46	56,287,677.33
Where: Cash and cash equivalents	93,614,909.17	2,937,561.27	106,015,107.04	28,520,630.59
Non-current assets	171,953.39	139,921,960.66	256,616.15	66,973,099.71
Total assets	1,073,615,493.86	161,826,357.08	998,196,703.61	123,260,777.04
Current liabilities	28,458,829.21	27,093,274.27	18,028,525.99	9,790,263.38
Non-current liabilities		1,322,792.25		
Total liabilities	28,458,829.21	28,416,066.52	18,028,525.99	9,790,263.38
Minority stockholder's interest				
Equity attributable to the Shareholders of the Parent Company	1,045,156,664.65	133,410,290.56	980,168,177.62	113,470,513.66
Share in net assets in proportion to shareholding percentage	386,707,965.94	65,371,042.37	362,662,225.73	55,600,551.69

Adjustments				
Where: Goodwill	195,292.01	52,702,763.03	195,292.01	46,261,807.98
Unrealised profits from internal transactions				
Other				
Carrying value of equity investments in associates	386,903,257.95	118,073,805.40	362,857,517.74	101,862,359.67
Fair value of equity investments in associates for which there are public quotes				
Operating Income	112,855,260.97	299,438,410.05	424,359,286.69	217,729,257.86
Financial expenses	-37,063.84	-316,296.17	-1,421,413.50	24,230.07
Income tax expenses	19,246,683.40	4,005,009.61	19,899,899.28	232,834.12
Net profit	64,988,487.03	6,459,254.69	59,668,033.03	322,303.38
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	64,988,487.03	6,459,254.69	59,668,033.03	322,303.38
Dividends received from associates during the year				

## 3、Summarized financial information of insignificant joint ventures and associates

Item	Closing balance / Amount incurred during the period	Opening balance / Amounts incurred during the previous period
Associates:		
Total carrying amount of investments	324,060,115.76	313,453,678.59
The following are aggregates calculated according to shareholding ratios:		
Net profit	29,296,958.14	40,534,304.47
Other comprehensive income		
Total comprehensive income	29,296,958.14	40,534,304.47

## 4、Excess losses incurred in joint ventures or associates

Name of joint ventures or associates	Cumulative unrecognised losses from prior periods	Unrecognised loss for the period (or net profit shared for the period)	Cumulative unrecognised losses at the end of the period
Shengbang Plastic Pipeline System Group Co., Ltd.	13,603,423.90	5,575.33	13,608,999.23

## VIII. Risks associated with financial instruments

(1) The Company's operations are subject to various financial risks: Market risk, credit risk and liquidity risk. The goal of risk management of the Company is to achieve balance between risk and income, reducing the negative impacts on the operations to the lowest level, and maximizing interests of shareholders and other equity investors. Based on this goal, the basic strategy of risk management for the Company is to ascertain and analyse all the risks that the Company confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

## 1、Market risk

## (1) Foreign exchange risk - exposure to changes in cash flows

The Company's foreign currency funds are settled in a timely manner and the foreign exchange balance is relatively small, resulting in limited foreign exchange risk.

## (2) Interest Rate Risk

Borrowings are all at fixed rates, so the interest rate risk is low.

## (3) Other price risk

For the risk of price fluctuations of raw materials and finished goods, the Company maintains a reasonable inventory level of raw materials and finished goods to reduce the risk of price fluctuations.

## 2、Credit Risk

To reduce credit risks, the accounting department of the Company is in charge of setting credit limits, making credit approvals and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue debts. Moreover, the Company supervises every single receivable on every balance sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables.

## 3、Liquidity risk

It is the Company's policy to periodically review current and anticipated liquidity requirements and compliance with borrowing contracts to ensure that the Company maintains adequate cash reserves while obtaining commitments from major financial institutions to provide sufficient standby funds to meet long and short-term liquidity requirements.

## (2) Fair value

## 1、Analysis of assets and liabilities measured at fair value within the fair value hierarchy

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Closing balance
I. Ongoing fair value measurement				
(1) Investment properties	77,219,556.00			77,219,556.00
1、Buildings leased out	77,219,556.00			77,219,556.00
(2) Other equity instrument investments	498,288.78			498,288.78
1、Equity investment held in Qingdao Bank	498,288.78			498,288.78

## 2、Basis for determining market value of ongoing and non-ongoing Level 1 fair value measurements

The Company's investment properties are subsequently measured using fair value as there are unadjusted active market quotes for the Company's investment properties, with the volume and frequency of transactions sufficient to provide pricing information on an ongoing basis.

The Company's equity investment in Qingdao Bank is measured at fair value as the Bank is a listed company with unadjusted market price and its trading volume and frequency are sufficient to provide pricing information on a continuous basis.

## IX. Connected parties and connected transactions

## (1) The largest controlling shareholder of the Company

Name of Shareholder	Means of Shareholding	Shareholding ratio in the Company (%)	Proportion of voting rights over the Company (%)
Shandong Shengli Investment Co., Ltd.	Directly held	9.99	9.99

Shandong Shengli Investment Co., Ltd. increase its shareholding in the Company by 14,276,729 shares, accounting for 1.62% of the total share capital of the Company, through the trading system of Shenzhen Stock Exchange from December 2018 to February 2019, and after this change of interest, Shengli Investment held 87,886,314 shares of the Company, accounting for 9.99% of the total share capital of the Company, and became the largest shareholder of the Company.

(2) Information on the Subsidiaries of the Company

For details please refer to “Note VII. Interests in Other Entities”.

(3) Information about joint ventures and associates of the Company

For the particulars of significant joint ventures or associates of the Company, please refer to "Note VII. Interests in Other Entities".

(4) Other connected parties of the Company

Name of other connected parties	Relations between other connected parties and the Company
Shandong Shengli Investment Co., Ltd.	The largest shareholder of the Company, who holds 9.99% of the share capital of the Company
Ji'Nan Fanteng Trade Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see IX, (5), 3)
Shandong Shengdi Landscaping Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see IX, (5), 3)

(5) Connected transactions

1、Connected transactions for the purchase and sale of goods, and the provision and acceptance of services

Name of connected party	Type of connected transaction	Content of connected transactions	Pricing and decision-making process for connected transactions	This Period		Previous period	
				Amount	Percentage of the amount in similar transactions (%)	Amount	Percentage of the amount in similar transactions (%)
Purchase of goods and acceptance of services:							
Qingdao Kunlun Shengli Gas Co., Ltd.	Procurement	Natural Gas	Market Price	57,303,105.11	0.94	71,049,853.33	2.04
Qingdao PetroChina Kunlun Energy Co., Ltd.	Procurement	Natural Gas	Market Price			911,585.25	0.03
Shandong Kunlun Shengli Energy Co., Ltd.	Procurement	Natural Gas	Market Price			2,577,348.14	0.07
Sale of goods, provision of services:							
Qingdao PetroChina Kunlun Energy Co., Ltd.	Sales	Natural Gas	Market Price	2,906,595.24	0.05	2,630,092.93	0.09
Shandong Kunlun Shengli Energy Co., Ltd.	Sales	Natural Gas	Market Price	764,273.39	0.01	207,469.26	0.01



## 2、Information on Connected Leases

Name of Lessor	Name of Lessee	Information on Leasehold	Rental income/expense recognised during the period	Rental income/expense recognised in the previous period
Shandong Shengli Co., Ltd.	Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	Property	209,594.29	279,940.00
Shandong Shengli Co., Ltd.	Qingdao Kunlun Shengli Gas Co., Ltd.	Real Estate		207,198.10

## 3、Inform on Connected Guarantees

## (1) Guarantees provided for subsidiaries and investee companies

For details, please refer to "(2) 2. Guarantee provided by the Company for the benefit of its subsidiaries" and "3. Guarantee provided by the Company for the benefit of investee companies" in Note XI "Commitments and Contingencies".

## (2) Information on Guarantees provided by the Company to other connected parties

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Bank of Beijing Co., Ltd. Jinan Branch	500.00	2020/9/12	2022/9/11	No
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Bank of Beijing Co., Ltd. Jinan Branch	1,000.00	2020/9/27	2022/9/26	No
Shandong Shengli Co., Ltd.	Ji'Nan Fanteng Trade Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	2,000.00	2020/11/19	2022/11/18	No
Total			3,500.00			

Notes: Shandong Shengdi Landscaping Co., Ltd. and Ji'Nan Fanteng Trade Co., Ltd. both are wholly-owned subsidiaries of Qilu Property Co., Ltd. and Wang Jian, a director of the Company, is the chairman of Qilu Property Co., Ltd..

## 4、Borrowing and lending between connected parties

Connected parties	Borrowing/Lending	Amount	Description
Shandong Shengli Bioengineering Co., Ltd.	Lending to connected party	34,464,908.07	Interest is charged at bank loan rates for the same period
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	Lending to connected party	1,960,000.00	Interest is charged at bank loan rates for the same period
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	Borrowing from connected party	60,000,000.00	interest-free loan

## 5、Compensation for key management personnel

Units: RMB 10,000

Key Management Personnel Compensation	This Period	Previous period
Total	935.32	607.14

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

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### (6) Payables and receivables with connected parties

#### 1. Receivables

Item name	Connected parties	Closing balance		Opening balance	
		Book Balance	Bad debt provision	Book Balance	Bad debt provision
Accounts receivable	Shengbang Plastic Pipeline System Group Co., Ltd.	60,539,091.82	60,539,091.82	60,539,091.82	60,539,091.82
Accounts receivable	Ji'Nan Lihuasheng Lexus Auto Sales and Service. Co., Ltd.			447,606.53	427,756.28
Prepayments	Qingdao Kunlun Shengli Gas. Co., Ltd.	3,705.87		223,234.10	
Prepayments	Shandong Kunlun Shengli Energy Co., Ltd.			14,917.05	
Other receivables	Shandong Shengli Bioengineering Co., Ltd.	34,464,908.07	22,618,780.10	39,464,520.11	25,899,947.28
Other receivables	Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	1,960,000.00	98,000.00	1,960,000.00	98,000.00

#### 2. Payables

Item name	Connected parties	Closing balance	Opening balance
Accounts Payable	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	29,700,000.00	29,700,000.00
Other payables	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	671,328.89	671,328.89
Long-term payables	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	60,000,000.00	60,000,000.00

### X. Commitments and Contingencies

(1) There is no commitment.

(2) There were no contingencies.

#### 1. Guarantees provided:

##### (1) External guarantees provided

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Bank of Beijing Co., Ltd. Jinan Branch	500.00	2020/9/12	2022/9/11	No
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2020/9/27	2022/9/26	No
Shandong Shengli Co., Ltd.	Ji'Nan Fanteng Trade Co., Ltd.	Qilu Bank Co., Ltd.	2,000.00	2020/11/19	2022/11/18	No
Shandong Shengli Co., Ltd.		Jinan Lishan East Road Sub-branch				
Total			3,500.00			

Notes: The Guarantee Start Date is the date when the guarantee obligation is required to be fulfilled after the maturity of the loan, and the Guarantee End Date is the date on which the guarantee obligation is extinguished as agreed in the Guarantee Agreement.

**(2) Guarantee provided by the Company for subsidiaries**

Guarantor	Guaranteed party	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	5,000.00	2022/11/9	2024/11/8	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	2,000.00	2020/10/30	2022/10/29	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	1,000.00	2020/9/3	2022/9/2	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	8,000.00	2020/12/9	2022/12/8	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	7,000.00	2020/2/15	2022/2/14	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	1,000.00	2020/8/21	2022/8/20	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	2,000.00	2020/3/29	2022/3/28	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	250.00	2020/3/27	2022/3/26	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,750.00	2020/5/23	2022/5/22	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	3,000.00	2020/7/18	2022/7/17	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	2,000.00	2020/7/23	2022/7/22	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	1,000.00	2020/4/10	2022/4/9	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	600.00	2020/6/28	2022/6/27	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2020/1/25	2022/1/24	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2020/3/15	2022/3/14	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2020/3/26	2022/3/25	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	3,000.00	2020/3/20	2022/3/19	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	13,000.00	2020/1/16	2022/1/15	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	2,000.00	2020/3/21	2022/3/20	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	782.00	2020/2/9	2022/2/8	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	718.00	2020/4/7	2022/4/6	No
Shandong Shengli Co., Ltd.	Bazhou Shengli Shunda Gas Co., Ltd.	2,448.00	2020/7/27	2022/7/26	No
Shandong Shengli Co., Ltd.	Shandong Lihuasheng Transportation Co., Ltd.	1,000.00	2020/4/27	2022/4/26	No
Shandong Shengli Co., Ltd.	Pengze County Natural Gas Co., Ltd.	1,500.00	2020/6/20	2022/6/19	No
Total		61,448.00			

Notes: The Guarantee Start Date is the date when the guarantee obligation is required to be fulfilled after the maturity of the loan, and the Guarantee End Date is the date on which the guarantee obligation is extinguished as agreed in the Guarantee Agreement.

The above guarantees were subject to the Company's decision-making and disclosure procedures.

## XI. Events after the balance sheet date

On 26 March 2020, the Board of Directors of the Company resolved that the profit distribution plan for the year 2019 shall be based on the total share capital of the Company of 880,084,656 shares and a cash dividend of RMB0.35 (including tax) shall be paid to all shareholders for every 10 shares from retained profits, amounting to a total cash dividend of RMB30,802,962.96 (including tax). There are neither stock dividend nor capitalisation of capital reserves in 2019. The motion is subject to consideration at the Annual General Meeting.

## XII. Other significant matters

### (1) Discontinued Operations

Item	This Period	Previous period
I. Revenue from Discontinued Operations	6,580,168.83	4,825,611.73
Less: Termination costs and operating expenses	8,880,290.31	4,992,223.44
II. Total profit from discontinued operations	-2,300,121.48	-544,515.11
Less: Income tax expenses incurred by discontinued operations	45,226.17	-94,725.86
III. Net profit from discontinued operations	-2,345,347.65	-449,789.25
Where: Net profit from discontinued operations attributable to the parent company	-2,345,347.65	-229,392.52
Add: Net gain on disposal of business (after tax)		
Where: Total profits and losses on disposal		
Less: Income tax expenses (or income)		
IV. Total net profit from discontinued operations	-2,345,347.65	-229,392.52
Where: Total net profit from discontinued operations attributable to owners of the parent company		
V. Net cash flows from discontinued operations		
Where: Net cash flows from operating activities	-1,179,007.18	-2,894,194.98
Net cash flows from investing activities		-12,525.00
Net cash flows from financing activities		

Notes: During this reporting period, the Company transferred out Shengli Wine Cellar Co., Ltd., Zibo Lihuasheng Natural Gas Utilization Co., Ltd., Yangu Nanwaihuan Fengyuan Gas Refueling Co., Ltd. and Laiwu Nengquan Petroleum Sales Co., Ltd., and cancel Nanning Shengxin Natural Gas Utilization Co., Ltd., a subsidiary. The above is related to the discontinuation of the operations of the 5 companies.

### (2) Segment reporting

#### 1 · Basis for determination and accounting policy of reporting segments

Basic information on operating segments: The Company and its subsidiaries (collectively, the "Group") operate in the natural gas business, the natural gas pipeline manufacturing business, and the trade business among others. The Group organises and manage its businesses separately according to the nature of its operations and the products and services provided.

The Group's operating segments are classified and described as follows:

- A. Natural gas business segment: It operates the natural gas sales business;
- B. Natural gas pipeline manufacturing business segment: It engages in the production and sale of plastic pipes;
- C. Trade and other business segments: It deals in finished oil products trade, investment and other businesses.

The management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment in reporting to the management, which are consistent with the accounting and measurement bases used in the preparation of the financial statements.

## 2、Financial Information Reported by Segments

Item	Natural Gas Business Segment	Plastic pipeline business segment	Trade and Other Business Segment	Inter-segment offsetting	Consolidated Statement Data
I. Operating Income	3,712,869,323.45	923,542,139.81	778,913,264.68	-67,041,324.56	5,348,283,403.38
II. Operating Costs	3,054,517,600.45	788,335,532.34	753,243,311.31	-53,584,660.25	4,542,511,783.85
III. Total profit	321,398,824.94	635,165.44	-24,523,782.38	-9,427,953.50	288,082,254.50
IV. Income tax expenses	81,411,971.60	-2,122,300.63	3,982,060.37	856,647.48	84,128,378.82
V. Net profit	239,986,853.34	2,757,466.07	-28,505,842.75	-10,284,600.98	203,953,875.68
VI. Total Assets	3,446,786,524.70	814,213,345.90	4,586,515,357.58	-2,338,201,251.91	6,509,313,976.27
VII. Total liabilities	1,858,077,996.38	563,919,385.63	2,173,040,037.18	-997,716,532.82	3,597,320,886.37

(3) Save for the above, there are no other material matters that need to be disclosed by the Company.

## XIII. Notes to main items of the parent company's financial statements

### (1) Accounts receivable

Accounts receivable by category

Categories	Closing figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis				
Where: Connected party-based grouping	4,109,727.14	11.37		
Ageing-based grouping	32,032,966.34	88.63	31,692,443.58	98.94
Total	36,142,693.48	100.00	31,692,443.58	87.69

Categories	Opening figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
	Accounts receivables with provision for bad and doubtful debts on an individual basis			
Accounts receivable with provision for bad and doubtful debts on a group basis				
Where: Connected party-based grouping	44,089,225.01	57.58		
Ageing-based grouping	32,480,256.11	42.42	31,794,620.07	97.89
Total	76,569,481.12	100.00	31,794,620.07	41.52

## 1、Accounts receivable with provision for bad and doubtful debts on a group basis

## (1) Accounts receivable relating to a group of connected parties

Group Name	Closing figure			Opening figure		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Connected party-based grouping	4,109,727.14			44,089,225.01		

## (2) Ageing-based grouping

Ageing	Closing figure			Opening figure		
	Book Balance	Expected credit loss ratio (%)	Bad debt provision	Book Balance	Expected credit loss ratio (%)	Bad debt provision
Less than 1 year		0.18			0.18	
1 to 2 years		2.30		111,921.50	2.30	2,574.19
2 to 3 years	111,921.50	12.75	14,269.99	256,613.00	12.75	32,718.16
3 to 4 years	256,613.00	40.86	104,852.08	552,201.90	40.86	225,629.70
4 to 5 years	552,518.66	83.51	461,408.33	156,590.00	83.51	130,768.31
More than 5 years	31,111,913.18	100.00	31,111,913.18	31,402,929.71	100.00	31,402,929.71
Total	32,032,966.34	—	31,692,443.58	32,480,256.11	—	31,794,620.07

## 2、Provision for bad debts for the period:

Categories	Opening balance	Movements during the period			Closing balance
		Provision	Recovery or reversal	Write-off	
Ageing-based grouping	31,794,620.07		102,176.49		31,692,443.58

## 3、Five largest accounts receivable by debtor at the end of the period

Entity name	Closing balance	Percentage of total accounts receivable (%)	Bad debt provision balance
Chongqing Shengbang Pipeline Technology Co., Ltd.	2,836,308.00	7.85	
Oilfield Drilling Technology Institute	1,975,802.85	5.47	1,975,802.85
Qingdao Ruifuda Rubber Industry Co. Ltd.	1,589,405.29	4.40	1,589,405.29
Qingdao Shengli Meijiuhui Co., Ltd.	1,273,419.14	3.52	
Shandong Province Lufa Livestock Development Center	904,126.45	2.50	904,126.45
Total	8,579,061.73	23.74	4,469,334.59

## (2) Other receivables

Categories	Closing balance	Opening balance
Dividend receivable		43,413,523.42
Other receivables	811,015,555.40	787,439,107.00
Less: Bad debt provision	78,602,452.45	83,087,255.37
Total	732,413,102.95	747,765,375.05

## 1、Dividend receivable

Investee	Closing balance	Opening balance
Shandong Shengbang Plastic Co., Ltd.		31,120,000.00
Shandong Shengli Import & Export Co., Ltd.		1,911,740.95
Dong'a Dongtai Gas Co., Ltd.		8,272,134.61
Dong'a Dongtai Compressed Natural Gas Co. Ltd.		2,109,647.86
Total		43,413,523.42

## 2、Other receivables

## (1) Other receivables by nature

Nature of amount	Closing balance	Opening balance
Transactions between Internal Connected Parties	590,395,689.41	534,383,536.87
Security deposit and Guarantee	3,330,000.00	3,050,000.00
Provision	24,821.80	34,627.20
Current accounts and others(Note 1)	217,265,044.19	249,970,942.93
Less: Bad debt provision	78,602,452.45	83,087,255.37
Total	732,413,102.95	704,351,851.63

Note 1: In January 2014, the Company transferred 55% equity interest of Shandong Shengli Bioengineering Co., Ltd, a wholly-owned subsidiary of the Company, to Zhongmu Industrial Co. Ltd. In accordance with the equity transfer agreement, both parties provided financial support to Shandong Shengli Bioengineering Co., Ltd. in proportion to their shareholdings and charged it a capital occupation fee at the bank loan interest rate for the same period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations. The balance for the period was RMB34,464,908.07.

The bank loan of RMB20,000,000.00 borrowed by Qingdao Tongyong Plastic Co., Ltd. (“Qingdao Tongyong Plastic”) from China Merchants Bank, which was guaranteed by the Company, matured on 10 April, 2016, and as Qingdao General Plastics failed to repay the loan on maturity, the Company fulfilled its guarantee obligations in accordance with the guarantee agreement and paid the principal and interest of RMB20,065,391.67 on the loan. Under the agreement, Qingdao General Plastics provided a collateral-based counter-guarantee for the guarantee provided by the Company with the use rights to 30 mu of land it holds. The Company has pursued the claim through litigation proceedings and won the second trial. The auction procedure of the collateral assets by the court is in progress, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

On 23 January 2017, the Company transferred its equity interest in Shandong Shengbang Lvyue Chemistry Co., Ltd., a subsidiary of the Company and recovered other receivables from that subsidiary by instalments, with RMB20,000,000.00 recovered in FY2018 in accordance with the agreement. The aggregate principal and interest balance of the remaining other receivables was RMB139,782,405.62 as of the end of December 2019. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

## (2) Provisions made for bad debt

Bad debt provision	Stage I	Stage II	Stage III	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment)	Expected credit losses over the entire duration (credit impairments incurred)	
Opening balance	83,087,255.37			83,087,255.37
Provision for the period	14,000.00			14,000.00
Reversal this period	4,498,802.92			4,498,802.92
Closing balance	78,602,452.45			78,602,452.45

## (3) Provisions for bad debts that are made, recovered or reversed for the period

## Provision for bad debts for the period:

Categories	Opening balance	Changes of amount in the period		Closing balance
		Provision	Recovery or reversal	
Security deposit	152,500.00	14,000.00		166,500.00
Provision	1,038.82		294.17	744.65
Current accounts and others	82,933,716.55		4,498,508.75	78,435,207.80
Total	83,087,255.37	14,000.00	4,498,802.92	78,602,452.45

(4) Material provision for bad and doubtful debts recovered or reversed in the current period  
Nil



## (5) Five largest other receivables by debtor at the end of the period

Name of debtors	Nature of amount	Closing balance	Ageing	Percentage of total other receivables (%)	Bad debt provision balance
Shandong Huasheng Energy Co., Ltd.	Borrowing and lending	158,696,525.69	Less than 1 year	19.57	
Anyang Beifang Shengli Gas Co., Ltd.	Borrowing and lending	153,980,000.00	Less than 1 year	18.99	
Shandong Shengbang Lvye Chemistry Co., Ltd.	Amount due from Shengbang Lvye	139,782,405.62	Within 1 year, 1-2 years, 2-3 years	17.24	13,286,714.03
Heze Shengli Natural Gas Co., Ltd.	Borrowing and lending	50,800,777.20	Less than 1 year	6.26	
Shandong Shengli Import & Export Co., Ltd.	Borrowing and lending	45,399,708.80	Less than 1 year	5.60	
Total	— —	548,659,417.31	— —	67.66	13,286,714.03

## (6) Disclosure of other receivables by aging

Ageing	Closing balance	Opening balance
Less than 1 year	575,127,499.29	546,736,986.75
1 to 2 years	10,990,056.34	147,810,936.64
2 to 3 years	138,182,498.65	22,920,094.96
3 to 4 years	22,920,094.96	5,463,703.14
4 to 5 years	5,463,703.14	28,197,013.62
More than 5 years	58,331,703.02	36,310,371.89
Total	811,015,555.40	787,439,107.00

## (3) Long-term equity investments

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Investments in subsidiaries	2,433,930,566.02		2,433,930,566.02	2,360,170,566.02		2,360,170,566.02
Investments in affiliates and joint ventures	635,006,462.24	25,868,518.27	609,137,943.97	597,810,808.01	25,868,518.27	571,942,289.74
Total	3,068,937,028.26	25,868,518.27	3,043,068,509.99	2,957,981,374.03	25,868,518.27	2,932,112,855.76

## 1、Investments in subsidiaries

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Closing balance of provision for impairment
Shaanxi Huashan Shengbang Plastic Co., Ltd.	29,579,999.99			29,579,999.99	
Qingdao Shengli Petrochemical Products Sales. Co., Ltd.	4,700,000.00			4,700,000.00	
Shandong Shengbang Plastic Co., Ltd.	80,000,000.00			80,000,000.00	
Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	34,232,057.99			34,232,057.99	
Shandong Shengli Import & Export Co., Ltd.	20,000,000.00			20,000,000.00	
Shandong Shengli Great Liquor Cellar Co., Ltd.	6,990,000.00		6,990,000.00		
Shandong Lihuasheng Energy Co., Ltd.	100,000,000.00			100,000,000.00	
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	40,500,000.00			40,500,000.00	
Shandong Shengli Energy Co., Ltd.	20,000,000.00			20,000,000.00	
Heze Shengli Natural Gas Co., Ltd.	15,300,000.00			15,300,000.00	
Rizhao Natural Gas Co., Ltd.	9,000,000.00			9,000,000.00	
Dezhou Shengli Natural Gas Co., Ltd.	14,440,000.00			14,440,000.00	
Linyi Shengli Energy Co., Ltd.	8,600,000.00			8,600,000.00	
Taian Shengli Energy Co., Ltd.	1,020,000.00			1,020,000.00	
Weifang Shengli Natural Gas Co., Ltd.	9,000,000.00			9,000,000.00	

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Zibo Lihuasheng Natural Gas Utilities Co., Ltd.	8,500,000.00		8,500,000.00	
Binzhou Shengli Natural Gas Co., Ltd.	8,829,900.00			8,829,900.00
Ji'nan Tianchen Energy Investment Co., Ltd.	10,092,188.89			10,092,188.89
Yantai Runtong Energy Co., Ltd.	15,000,000.00			15,000,000.00
Shandong Longyu Shengli Energy Co., Ltd.	17,250,000.00			17,250,000.00
Dong'a Dongtai Gas Co., Ltd.	236,469,997.44			236,469,997.44
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	89,627,597.80			89,627,597.80
Qingdao Runhao Natural Gas Co., Ltd.	90,955,734.61			90,955,734.61
Shandong Lihuasheng Transportation Co., Ltd.	20,000,000.00			20,000,000.00
Shandong Qinglin Taifeng Trade Co., Ltd.	11,232,000.00			11,232,000.00
Bazhou Shengli Shunda Gas Co., Ltd.	165,750,000.00			165,750,000.00
Dalian Shengyi New Energy Development. Co., Ltd.	66,756,400.00			66,756,400.00
Zibo Lvchuan Gas Co., Ltd.	127,688,431.80			127,688,431.80
Anyang Beifang Shengli Gas Co., Ltd.	66,600,000.00			66,600,000.00
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	103,000,000.00			103,000,000.00
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	170,000,000.00			170,000,000.00
Tianjin Hengrongda Technology Co., Ltd.	44,875,957.50			44,875,957.50
Chongqing Shengbang Gas Co., Ltd.	663,800,000.00			663,800,000.00
Weihai Shengli Huachang Gas Co., Ltd.	49,480,300.00			49,480,300.00
Qingdao Shengxin Meijiuhui. Co., Ltd.	900,000.00			900,000.00
Puyang County Boyuan Natural Gas Co., Ltd.		89,250,000.00		89,250,000.00
Total	2,360,170,566.02	89,250,000.00	15,490,000.00	2,433,930,566.02

## 2 · Investments in affiliates and joint ventures

Investor	Opening balance	Changes in the period								Closing balance	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Associates:											
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	166,873,328.68			11,048,042.80						177,921,371.48	
Shandong Shengli Bioengineering Co., Ltd.	171,693,069.83			27,401,466.04			5,362,287.24			193,732,248.63	
Shandong Kunlun Shengli Energy Co., Ltd.	25,748,463.79			-3,366,695.00						22,381,768.79	
Shandong Shengbang Plastic Pipeline System Co., Ltd.											
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	37,583,011.98			-218,203.54						37,364,808.44	
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	55,135,644.86			4,528,296.37						59,663,941.23	
Qingdao PetroChina Kunlun Energy Co., Ltd.	13,046,410.93		13,046,410.93								
Qingdao Kunlun Shengli Gas Co., Ltd.	101,862,359.67	13,046,410.93		3,165,034.80						118,073,805.40	25,868,518.27
Nanning Jiaonengsheng Energy Co., Ltd.		480,200.00	762,022.80	281,822.80							
Total	571,942,289.74	13,526,610.93	13,808,433.73	42,839,764.27			5,362,287.24			609,137,943.97	25,868,518.27

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

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### (4) Operating income and operating cost

Item	This Period		Previous period	
	Revenue	Cost	Revenue	Cost
I. Subtotal of principal activities	403,885,621.37	403,861,277.41	324,961,341.21	325,030,730.68
Plastic raw materials trade business	403,885,621.37	403,861,277.41	324,961,341.21	325,030,730.68
II. Subtotal of other business	10,302,327.17		3,347,011.87	
Total	414,187,948.54	403,861,277.41	328,308,353.08	325,030,730.68

### (5) Investment income

Item	This Period	Previous period
Income on Long-term equity investments accounted for under the cost method	130,976,021.75	170,405,172.52
Income from long-term equity investment accounted for under the equity method	42,839,764.27	51,425,683.41
Investment income arising from disposal of long-term equity investment	-6,595,522.80	-1,756,822.63
Investment income on available-for-sale financial assets		16,777.40
Total	167,220,263.22	220,090,810.70

## XIV. Supplementary information

### (1) Details on Non-Recurring Profit or Loss for the Period

Item	Amount	Remarks
1. Gains or losses on disposal of non-current assets, including the write-off of provision for impairment of assets	1,537,172.39	
2. Government grants recognised in profit or loss for the period (except for those closely related to the business of the Group and provided at a fixed or quantitative amount in accordance with the national standard)	6,455,114.03	
3. Capital occupation fees charged on non-financial enterprise recognised in profit or loss for the period	9,318,698.10	
4. Gains and losses arising from changes in the fair value of investment properties subsequently measured using the fair value model	-4,886,327.08	
5. Other non-operating revenue and expenses	572,068.69	
6. Income tax effect	2,768,581.26	
7. Effect of minority interests	1,239,827.82	
Total	8,988,317.05	

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

Shandong Shengli Co., Ltd. 2019 Annual Report

**(2) Rate of return on equity and earnings per share**

Profit for the reporting period	Weighted average return on equity (%)		Earnings per share	
			Basic earnings per share	
	This year	Previous year	This year	Previous year
Net profit attributable to ordinary shareholders of the Company	5.70	4.61	0.15	0.12
Net profit after non-recurring profit/loss attributable to ordinary shareholders of the Company	5.32	4.54	0.14	0.11

## Body Text of Auditor's Report

Da Xin Shen Zi [2021] No. 3-00281

### To all the members of Shandong Shengli Co., Ltd.:

#### I. Auditor's Opinion

We have audited the accompanying financial statements of Shandong Shengli Co., Ltd. (hereinafter referred to as the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2020, and the Company's and consolidated income statements, the Company's and consolidated cash flow statements, and the Company's and consolidated statements of changes in shareholders' equity for 2020, and the notes to these financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2020, and the Company's and consolidated results of operations and cash flows for 2020 in accordance with Accounting Standards for Business Enterprises.

#### II. Basis for the Auditor's Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" section of the audit report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

#### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### (1) Recognition of Revenue

###### 1. Description of the Matter

As described in Note V(39) to the Financial Statements, the Company achieved operating income of RMB4,596,360,862.81 in 2020, mainly from gas business, equipment material sale business and other trade business. Operating income is one of the Company's key performance indicators, and the revenue recognition process is relatively complicated; Meanwhile, new revenue standards implemented this year require the management to make significant judgement on the principles and methods of revenue recognition and specific timings. We have therefore regarded revenue recognition as a key audit matter.

## 2. How the Matter was Addressed in Our Audit

The audit procedures we performed in relation to revenue recognition consisted primarily of the following aspects:

(1) to understand and evaluate whether the principles and methods of revenue recognition and specific timings of revenue recognition are in line with the requirements of the ASBEs, and to focus on the impact of the implementation of the new revenue standard on the Company's revenue recognition;

(2) to review random samples of significant sales contracts to identify contractual terms and conditions related to the transfer of risks and rewards on ownership of goods and evaluate whether the revenue recognition accounting policy is consistent with the requirements of ASBEs.

(3) to understand and test the design of the Company's key internal controls related to the sales cycle and their implementation, so as to confirm the effectiveness of internal controls;

(4) to perform an analysis of revenue, including gross margin analysis, gas loss analysis, construction cost analysis and checking for anomalies in revenue for the period.

(5) to examine the particulars of revenue, including reviewing gas purchase and sales contracts, gas quantity statements, meter reading records, and receipts among others, and checking gas ancillary project contracts, project budgets, material receipts, project statements, and project inspection reports, and carrying out on-site visits to important projects to check the progress of completion in person.

(6) to carry out letter verification procedures for major customers to confirm the sales revenue and completion of connection works for the period and to assess the authenticity and completeness of revenue recognition.

### (2) Provision for bad debts on accounts receivable

#### 1. Description of the Matter

As described in Notes III(11) and V(3) to the Financial Statements, as of December 31, 2020, the Company has a balance of RMB498,680,449.14 in accounts receivable, of which the balance of accounts receivable aged over one year was RMB191,549,846.49, accounting for 38.41% of the total accounts receivable at the end of the period, and the Company has made a bad debt provision of RMB116,061,465.41. The Company's management determine the provision for bad debts based on a mix of credit risk characteristics, an assessment of their collectability and the impact of historical ageing distribution of account receivables, turnover rates and forward-looking information. We have made provision for bad debts on accounts receivable a key audit matter due to the materiality of the amount of the receivable and the significant judgement made by the management in determining the provision for bad debts.

#### 2. How the Matter was Addressed in Our Audit

The audit procedures we performed in relation to provision for bad debts on accounts receivable mainly include:

(1) to understand the credit policy by reviewing sales contracts, understand the internal controls in respect of accounts receivable management, and perform walk-through tests and control tests to assess the effectiveness of the design and implementation of the related internal controls;

(2) to review the accounting policy for provision for bad debts on accounts receivable and evaluate the reasonableness of the method(s) used by the management and the ratio of bad debt provision determined;

(3) to review the accuracy of the calculation of provision for bad debts in conjunction with the ageing of accounts receivable in accordance with the Company's accounting policies.



#### IV. Other Information

The Management (the“Management”) of the Company are responsible for the other information. The other information comprises all the information included in the 2020 annual report of the Company, other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work so performed, we shall report any material misstatement as contained in the other information that we ascertain. In this aspect, we have no such matter to be reported.

#### V. Responsibilities of the Management and Governing Bodies for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises (CAS), as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governing bodies are responsible for supervising the financial reporting processes of the Company.

#### VI. Certified Public Accountant’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we performed the following tasks:

(1) to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(2) to understand the audit related internal controls in order to design appropriate audit procedures.

(3) to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) to conclude on the appropriateness of the Management’s use of the going concern basis of accounting. and based on the audit evidence obtained, to conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion; If the disclosure is inadequate, we shall express a qualified opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) to evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a fair manner.

(6) to obtain sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and remain solely responsibility for our audit opinion.

We communicate with the Governing Bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.

We also provide the Governing Bodies with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Governing Bodies, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP

PRC certified public accountant: Yang Chunjiang

(Engagement Partner)

China · Beijing

PRC certified public accountant: Chen Jia

26 April 2021

## II. Financial Statements

<b>Consolidated Balance Sheet</b>			
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2020	Unit: RMB
Item	Note	31 December, 2020	31 December, 2019
<b>Current assets:</b>			
Monetary Funds	V. (1)	895,147,268.19	740,019,460.63
Financial assets held for trading	V. (2)	20,000,000.00	
Derivative financial assets			
Notes receivable			
Accounts receivable	V. (3)	382,618,983.73	417,963,503.31
Accounts Receivable Financing	V. (4)	48,792,081.24	45,178,585.31
Prepayments	V. (5)	202,844,033.26	227,028,157.88
Other receivables	V. (6)	277,873,862.66	179,715,564.40
Where: Interest receivable			
Dividend receivable	V. (6)	110,215,135.02	
Inventories	V. (7)	407,349,207.60	413,548,323.42
Contractual Assets	V. (8)	32,042,250.17	
Assets held for sales			
Non-current assets due within one year			
Other current assets	V. (9)	49,429,242.81	50,914,164.95
Total current assets		2,316,096,929.66	2,074,367,759.90
<b>Non-current assets:</b>			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments	V. (10)	743,201,491.41	829,037,179.11
Other equity instrument investments	V. (11)	52,235,299.91	71,524,824.79
Other non-current financial assets			
Investment properties	V. (12)	72,051,318.00	77,219,556.00
Fixed assets	V. (13)	1,791,339,085.32	1,588,179,807.64
Construction in progress (CIP)	V. (14)	178,823,516.53	215,260,087.13
Productive biological assets			
Oil and gas assets			
Intangible assets	V. (15)	113,351,820.67	113,470,265.92
Development expenses	V. (16)	598,041.27	
Goodwill	V. (17)	1,241,258,775.22	1,285,536,270.56
Long-term deferred expenses	V. (18)	14,751,286.67	16,264,836.92
Deferred tax assets	V. (19)	189,922,772.09	187,479,371.13
Other non-current assets	V. (20)	38,859,519.75	50,974,017.17
Total non-current assets		4,436,392,926.84	4,434,946,216.37
Total assets		6,752,489,856.50	6,509,313,976.27

Consolidated Balance Sheet (Continued)			
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2020	Unit: RMB
Item	Note	31 December, 2020	31 December, 2019
<b>Current liabilities:</b>			
Short-term borrowings	v. (21)	1,226,664,923.48	926,639,462.15
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	v. (22)	572,500,000.00	549,620,000.00
Accounts Payable	v. (23)	367,541,743.20	358,084,214.54
Advance receipts			689,379,949.16
Contractual liabilities	v. (24)	587,662,458.51	
Employee benefits payable	v. (25)	46,288,468.90	59,022,364.69
Taxes payable	v. (26)	25,203,550.38	29,865,709.33
Other payables	v. (27)	83,258,948.77	156,154,691.29
Where: Interest payable			
Dividend payable	v. (27)	4,666,416.46	7,303,533.44
Liabilities held for sales			
Non-current liabilities due within one year	v. (28)	241,979,947.66	242,602,434.38
Other current liabilities	v. (29)	50,963,005.52	
Total current liabilities		3,202,063,046.42	3,011,368,825.54
<b>Non-current liabilities:</b>			
Long-term borrowings	v. (30)	401,742,500.00	180,340,000.00
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Long-term payables	v. (31)	148,450,000.00	348,566,666.67
Long-term staff remuneration payables			
Estimated liabilities			
Deferred revenue	v. (32)	17,921,651.85	16,788,712.04
Deferred tax liabilities	v. (19)	80,910,897.07	40,256,682.12
Other non-current liabilities			
Total non-current liabilities		649,025,048.92	585,952,060.83
Total liabilities		3,851,088,095.34	3,597,320,886.37
<b>Shareholders' equity:</b>			
Share capital	v. (33)	880,084,656.00	880,084,656.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves	v. (34)	952,779,851.16	1,012,999,291.05
Less: Treasury shares			
Other comprehensive income	v. (35)	-18,953,944.10	335,580.78
Special Reserves	v. (36)	14,737,439.57	11,057,440.09
Surplus reserves	v. (37)	151,979,862.63	139,973,677.38
Retained earnings	v. (38)	477,074,696.98	377,569,059.69
Total Equity attributable to the Shareholders of the Parent Company		2,457,702,562.24	2,422,019,704.99
Minority stockholder's interest		443,699,198.92	489,973,384.91
Total shareholders' equity		2,901,401,761.16	2,911,993,089.90
Total liabilities and shareholders' equity		6,752,489,856.50	6,509,313,976.27

Parent Company Balance Sheet			
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2020	
		Unit: RMB	
Item	Note	31 December, 2020	31 December, 2019
Current assets:			
Monetary Funds		447,246,170.74	270,654,727.89
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XIII. (1)	16,295,662.31	4,450,249.90
Accounts Receivable Financing		17,866,573.95	24,020,676.26
Prepayments		12,103,315.60	41,502,865.82
Other receivables	XIII. (2)	761,818,616.73	732,413,102.95
Where: Interest receivable			
Dividend receivable	XIII. (2)	56,015,135.02	
Inventories		2,774,238.59	1,413,533.83
Contractual Assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets		1,985,960.60	2,850,286.91
Total current assets		1,260,090,538.52	1,077,305,443.56
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments	XIII. (3)	3,251,161,250.61	3,043,068,509.99
Other equity instrument investments		497,449.91	19,786,974.79
Other non-current financial assets			
Investment properties			77,219,556.00
Fixed assets		34,946,622.46	37,817,135.15
Construction in progress (CIP)			
Productive biological assets			
Oil and gas assets			
Intangible assets		3,552,132.75	5,495,184.84
Development expenses		111,279.01	
Goodwill			
Long-term deferred expenses			
Deferred tax assets		166,336,043.78	166,262,337.61
Other non-current assets			
Total non-current assets		3,456,604,778.52	3,349,649,698.38
Total assets		4,716,695,317.04	4,426,955,141.94

Parent Company Balance Sheet (Continued)			
Prepared by: Shandong Shengli Co., Ltd.		31 December, 2020	Unit: RMB
Item	Note	31 December, 2020	31 December, 2019
Current liabilities:			
Short-term borrowings		733,754,820.15	651,163,744.23
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		380,000,000.00	285,000,000.00
Accounts Payable		23,587,947.10	18,894,080.70
Advance receipts			21,451,128.38
Contractual liabilities		3,467,746.29	
Employee benefits payable		560,518.08	6,558,670.59
Taxes payable		535,963.59	649,255.99
Other payables		562,023,300.67	519,186,460.87
Where: Interest payable			
Dividend payable		1,497,902.15	1,497,902.15
Liabilities held for sales			
Non-current liabilities due within one year		231,723,119.27	191,602,434.38
Other current liabilities		450,487.39	
Total current liabilities		1,936,103,902.54	1,694,505,775.14
Non-current liabilities:			
Long-term borrowings		259,242,500.00	131,340,000.00
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Long-term payables		199,450,000.00	348,566,666.67
Long-term staff remuneration payables			
Estimated liabilities			
Deferred income			
Deferred tax liabilities		9,004,927.10	10,296,986.60
Other non-current liabilities			
Total non-current liabilities		467,697,427.10	490,203,653.27
Total liabilities		2,403,801,329.64	2,184,709,428.41
Shareholders' equity:			
Share capital		880,084,656.00	880,084,656.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves		1,029,684,738.55	1,029,005,838.54
Less: Treasury shares			
Other comprehensive income		-18,953,944.10	335,580.78
Special Reserves			
Surplus reserves		151,554,852.93	139,548,667.68
Retained earnings		270,523,684.02	193,270,970.53
Total shareholders' equity		2,312,893,987.40	2,242,245,713.53
Total liabilities and shareholders' equity		4,716,695,317.04	4,426,955,141.94

Consolidated Income Statement			
Prepared by: Shandong Shengli Co., Ltd.	Year 2020	Unit: RMB	
Item	Note	This Period	Previous period
I. Operating Income	V. (39)	4,596,360,862.81	5,348,283,403.38
Less: Operating Costs	V. (39)	3,818,187,748.92	4,542,511,783.85
Tax and Surcharges	V. (40)	13,422,824.19	14,531,957.39
Cost of Sales	V. (41)	225,501,617.90	299,122,038.39
Administrative expenses	V. (42)	136,118,169.43	148,528,785.96
R&D expenses	V. (43)	28,135,939.75	19,279,557.41
Financial expenses	V. (44)	87,151,318.74	78,185,696.96
Where: Interest expenses	V. (44)	107,245,888.47	100,623,924.62
Interest income	V. (44)	23,443,107.39	25,737,481.90
Add: Other income	V. (45)	8,411,707.55	4,183,605.22
Investment income (loss denoted by a "-")	V. (46)	28,219,296.81	58,268,685.86
Where: Share of profits in associates and joint ventures	V. (46)	28,219,296.81	56,507,733.15
Gains on derecognition of financial assets measured at amortised cost (loss denoted by a "-")			
Gains on net exposure hedge (loss denoted by a "-")			
Income from changes in fair value (loss denoted by a "-")	V. (47)	35,031,762.00	-4,886,327.08
Loss on Credit Impairment (loss denoted by a "-")	V. (48)	-3,362,290.95	478,607.70
Loss on Asset Impairment (loss denoted by a "-")	V. (49)	-58,897,201.05	-18,705,697.80
Income from disposal of assets (loss denoted by a "-")	V. (50)	7,269,121.20	718,169.60
II. Operating profit (loss denoted by a "-")		304,515,639.44	286,180,626.92
Add: Non-operating income	V. (51)	3,512,401.35	4,901,006.17
Less: Non-operating expenses	V. (52)	10,474,874.76	2,999,378.59
III. Total profit (total losses denoted by a "-")		297,553,166.03	288,082,254.50
Less: Income tax expenses	V. (53)	81,916,930.90	84,128,378.82
IV. Net profit (net loss denoted by "-")		215,636,235.13	203,953,875.68
(1) By continuity of operations:			
1. Net profit from continuing operations (net loss denoted by a "-")		215,638,794.57	206,299,223.33
2. Net profit from discontinued operations (net loss denoted by a "-")		-2,559.44	-2,345,347.65
(2) By Ownership:			
1. Net profit attributable to shareholders of Parent Company (net loss denoted by a "-")		142,314,776.28	133,427,291.24
2. Profits and losses attributable to minority interests (net loss denoted by a "-")		73,321,458.85	70,526,584.44
V. Other comprehensive income, net of tax		-19,289,524.88	335,580.78
(1) Net other comprehensive income after tax attributable to shareholders of parent company		-19,289,524.88	335,580.78
1. Other comprehensive income that will not be reclassified to profit or loss		-19,289,524.88	335,580.78
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income that will not be reclassified to profit or loss under the equity method			
(3) Other equity instrument investments - Changes in fair value		-19,289,524.88	335,580.78
(4) Changes in the fair value of the business's own credit risk			
2. Other comprehensive income that will be reclassified to profit or loss			
(1) Other comprehensive income that may be reclassified to profit or loss under the equity method			
(2) Change in fair value of other debt investments			
(3) Amount of financial assets reclassified to other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedge reserve (Effective portion of cash flow adjusted for hedging gains or losses)			
(6) Exchange differences from retranslation of financial statements			
(7) Other			
(2) Other comprehensive income attributable to minority shareholders, net of tax			
VI. Total comprehensive income		196,346,710.25	204,289,456.46
(1) Total comprehensive income attributable to the shareholders of the parent company		123,025,251.40	133,762,872.02
(2) Total comprehensive income attributable to minority shareholders		73,321,458.85	70,526,584.44
VII. Earnings per share			
(1) Basic earnings per share		0.16	0.15
(2) Diluted earnings per share		0.16	0.15

Parent Company Income Statement			
Prepared by: Shandong Shengli Co., Ltd.	Year 2020	Unit: RMB	
Item	Note	This Period	Previous period
I. Operating Income	XIII. (4)	473,831,196.19	414,187,948.54
Less: Operating Costs	XIII. (4)	461,775,535.38	403,861,277.41
Tax and Surcharges		703,714.74	748,901.62
Cost of Sales		1,942.25	1,230.62
Administrative expenses		33,559,382.78	47,001,898.59
R&D expenses			
Financial expenses		44,709,570.32	33,553,606.31
Where: Interest expenses		55,843,104.79	47,537,058.98
Interest income		11,485,606.85	14,939,740.79
Add: Other income		203,506.75	162,985.79
Investment income (loss denoted by a "-")	XIII. (5)	150,549,464.03	167,220,263.22
Where: Share of profits in associates and joint ventures		28,048,169.13	42,839,764.27
Gains on derecognition of financial assets measured at amortised cost (loss denoted by a "-")			
Gains on net exposure hedge (loss denoted by a "-")			
Income from changes in fair value (loss denoted by a "-")		40,200,000.00	-4,886,327.08
Loss on Credit Impairment (loss denoted by a "-")		-294,824.67	4,586,979.41
Loss on Asset Impairment (loss denoted by a "-")		-4,992,864.56	
Income from disposal of assets (loss denoted by a "-")		-25,020.00	135,897.84
II. Operating profit (loss denoted by a "-")		118,721,312.27	96,240,833.17
Add: Non-operating income		1,562.00	
Less: Non-operating expenses		26,787.46	50.00
III. Total profit (total losses denoted by a "-")		118,696,086.81	96,240,783.17
Less: Income tax expenses		-1,365,765.67	4,905,699.75
IV. Net profit (net loss denoted by "-")		120,061,852.48	91,335,083.42
(1) Net profit from continuing operations (net loss denoted by a "-")		120,061,852.48	91,335,083.42
(2) Net profit from discontinued operations (net loss denoted by "-")			
V. Other comprehensive income, net of tax		-19,289,524.88	335,580.78
(1) Other comprehensive income that will not be reclassified to profit or loss		-19,289,524.88	335,580.78
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
3. Other equity instrument investments - Changes in fair value		-19,289,524.88	335,580.78
4. Changes in the fair value of the business's own credit risk			
(2) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Amount of financial assets reclassified to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve (Effective portion of cash flow adjusted for hedging gains or losses)			
6. Exchange differences from retranslation of financial statements			
7. Others			
VI. Total comprehensive income		100,772,327.60	91,670,664.20
VII. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			



<b>Consolidated Cash Flow Statement</b>			
Prepared by: Shandong Shengli Co., Ltd.		Year 2020	Unit: RMB
Item	Note	This Period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		5,081,057,174.48	6,083,700,882.64
Tax rebates received			
Other cash received relating to operating activities	V. (54)	30,365,582.19	35,356,062.60
Sub-total of cash inflows from operating activities		5,111,422,756.67	6,119,056,945.24
Cash paid for goods and services		4,172,770,610.04	4,943,802,988.19
Cash paid to and for employees		224,628,892.44	159,520,762.62
Cash paid for taxes and surcharges		118,325,527.39	197,300,413.05
Other cash paid relating to operating activities	V. (54)	145,917,190.17	227,635,117.35
Sub-total of cash outflows from operating activities		4,661,642,220.04	5,528,259,281.21
Net cash flows from operating activities		449,780,536.63	590,797,664.03
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		950,000.00	6,907,922.65
Cash received from returns on investments			5,362,287.24
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,450,795.04	8,483,209.00
Net cash received from disposal of subsidiaries and other operating entities		1,810,000.00	6,022,764.17
Other cash received relating to investing activities	V. (54)	13,272,113.35	10,000,000.00
Sub-total of cash inflows from investing activities		20,482,908.39	36,776,183.06
Cash paid to acquire fixed assets, intangible assets and other long-term assets		308,845,261.16	184,670,039.84
Cash paid to acquire investments		140,680,000.00	
Net cash paid to acquire subsidiaries and other operating entities		118,072,812.52	169,924,118.96
Other cash paid relating to investing activities	V. (54)	10,000,000.00	2,000,000.00
Sub-total of cash outflows from investing activities		577,598,073.68	356,594,158.80
Net cash flows from investing activities		-557,115,165.29	-319,817,975.74
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		3,500,000.00	
Where: Cash received by subsidiaries from minority shareholders' investments		3,500,000.00	
Cash received from borrowings		2,039,655,946.19	1,427,440,000.00
Other cash received relating to financing activities	V. (54)	30,000,000.00	
Sub-total of cash inflow from financing activities		2,073,155,946.19	1,427,440,000.00
Cash repayments of amounts borrowed		1,651,464,166.66	1,497,966,666.66
Cash paid for dividends, profit and interest		189,158,836.74	181,879,030.21
Where: Dividends and profits paid by subsidiaries to minority shareholders		52,496,254.32	79,544,645.06
Other cash paid relating to financing activities	V. (54)	220,433,929.07	22,500,000.00
Sub-total of cash outflow from financing activities		2,061,056,932.47	1,702,345,696.87
Net cash flows from financing activities		12,099,013.72	-274,905,696.87
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			316.76
V. Net increase in cash and cash equivalents		-95,235,614.94	-3,925,691.82
Add: Cash and cash equivalents at beginning of period		548,012,544.63	551,938,236.45
VI. Closing balance of cash and cash equivalents		452,776,929.69	548,012,544.63

<b>Parent Company Cash Flow Statement</b>			
Prepared by: Shandong Shengli Co., Ltd.		Year 2020	Unit: RMB
Item	Note	This Period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		505,670,589.51	371,670,157.37
Tax rebates received			
Other cash received relating to operating activities		5,557,959.77	28,296,198.15
Sub-total of cash inflows from operating activities		511,228,549.28	399,966,355.52
Cash paid for goods and services		499,705,987.46	365,927,298.00
Cash paid to and for employees		27,694,618.94	19,106,095.27
Cash paid for taxes and surcharges		818,865.22	814,750.07
Other cash paid relating to operating activities		12,627,958.40	13,013,632.23
Sub-total of cash outflows from operating activities		540,847,430.02	398,861,775.57
Net cash flows from operating activities		-29,618,880.74	1,104,579.95
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		850,000.00	6,076,485.00
Cash received from returns on investments		115,567,360.03	171,624,833.55
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			170,600.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities		13,272,113.35	459,751,703.95
Sub-total of cash inflows from investing activities		129,689,473.38	637,623,622.50
Cash paid to acquire fixed assets, intangible assets and other long-term assets		148,243.76	128,939.56
Cash paid to acquire investments		162,680,000.00	170,580,290.26
Net cash paid to acquire subsidiaries and other operating entities		118,072,812.52	
Other cash paid relating to investing activities			62,074,672.61
Sub-total of cash outflows from investing activities		280,901,056.28	232,783,902.43
Net cash flows from investing activities		-151,211,582.90	404,839,720.07
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions			
Cash received from borrowings		1,406,205,946.19	1,045,613,744.23
Other cash received relating to financing activities		125,121,912.77	
Sub-total of cash inflow from financing activities		1,531,327,858.96	1,045,613,744.23
Cash repayments of amounts borrowed		1,248,514,166.66	1,044,230,898.95
Cash paid for dividends, profit and interest		70,104,961.05	52,443,588.54
Other cash paid relating to financing activities		51,186,112.50	305,000,000.00
Sub-total of cash outflow from financing activities		1,369,805,240.21	1,401,674,487.49
Net cash flows from financing activities		161,522,618.75	-356,060,743.26
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
			316.76
<b>V. Net increase in cash and cash equivalents</b>			
		-19,307,844.89	49,883,873.52
Add: Cash and cash equivalents at beginning of period		165,654,727.89	115,770,854.37
<b>VI. Closing balance of cash and cash equivalents</b>			
		146,346,883.00	165,654,727.89

## APPENDIX II

## FINANCIAL INFORMATION OF THE TARGET GROUP

Shandong Shengli Co., Ltd. 2020 Annual Report

Consolidated Statement of Changes of Shareholders' Equity													Unit: RMB	
Prepared by: Shandong Shengli Co., Ltd.													Year 2020	
Item	This Period												Minority stockholder's interest	Total shareholders' equity
	Equity attributable to the Shareholders of the Parent Company													
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Subtotal			
	Preference shares	Perpetual bonds	Other											
I. Closing balance of previous year	880,084,656.00				1,012,999,291.05		335,580.78	11,087,440.09	139,973,677.38	377,569,059.69	2,422,019,704.99	489,973,384.91	2,911,993,089.90	
Add: Change in Accounting Policies														
Correction of Errors in the Previous Period														
Combination under common control														
Other														
II. Opening balance of the year	880,084,656.00				1,012,999,291.05		335,580.78	11,087,440.09	139,973,677.38	377,569,059.69	2,422,019,704.99	489,973,384.91	2,911,993,089.90	
III. Movements during the period (decrease denoted by a "-")					-60,219,439.89		-19,289,524.88	3,679,999.48	12,006,185.25	99,505,637.29	35,682,857.25	-46,274,185.99	-10,591,328.74	
(1) Total comprehensive income										142,314,776.28	142,314,776.28	73,321,458.85	215,636,235.13	
(2) Contribution and withdrawal of capital by shareholders					-65,898,941.90							-65,898,941.90	-137,180,000.00	
1. Common stock contributed by shareholders												3,500,000.00	3,500,000.00	
2. Proceeds from other equity instruments holders														
3. Share-based payment recorded in owners' equity														
4. Others					-65,898,941.90							-74,781,058.10	-140,680,000.00	
(3) Appropriation of profits									12,006,185.25	-42,809,138.99	-30,802,953.74	-49,859,137.34	-80,662,091.08	
1. Appropriation to surplus reserves									12,006,185.25	-12,006,185.25				
2. Distributions to shareholders										-30,802,953.74	-30,802,953.74	-49,859,137.34	-80,662,091.08	
3. Others														
(4) Internal carry-over of shareholders' equity					5,679,502.01		-19,289,524.88				-13,610,022.87		-13,610,022.87	
1. Transfer of capital reserve to share capital														
2. Transfer of surplus reserves to share capital														
3. Making up of losses with surplus reserves														
4. Transfer of changes in defined benefit plans to retained earnings														
5. Transfer of other comprehensive income to retained earnings														
6. Others					5,679,502.01		-19,289,524.88				-13,610,022.87		-13,610,022.87	
(5) Special Reserves								3,679,999.48			3,679,999.48	1,544,550.60	5,224,550.08	
1. Appropriation during the period								21,916,681.32			21,916,681.32	9,055,647.68	30,972,329.00	
2. Utilization during the period								18,236,681.84			18,236,681.84	7,511,097.08	25,747,778.92	
(6) Other														
IV. Closing Balance of the period	880,084,656.00				952,779,851.16		-18,953,944.10	14,737,439.57	151,979,862.63	477,074,696.98	2,457,702,562.24	443,699,198.92	2,901,401,761.16	

Consolidated Statement of Changes of Shareholders' Equity														
Prepared by: Shandong Shengli Co., Ltd.														
Year 2020														
Unit: RMB														
Item	Previous Period													
	Equity attributable to the Shareholders of the Parent Company												Minority stockholder's interest	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Subtotal			
	Preference shares	Perpetual bonds	Other											
I. Closing balance of previous year	880,084,656.00				1,011,907,900.19			7,969,630.90	130,840,169.04	240,690,168.25	2,271,492,524.38	465,763,099.77	2,737,255,624.15	
Add: Change in Accounting Policies										12,585,108.54	12,585,108.54	2,143,088.23	14,728,196.77	
Correction of Errors in the Previous Period														
Combination under common control														
Other					1,091,390.86						1,091,390.86		1,091,390.86	
II. Opening balance of the year	880,084,656.00				1,012,999,291.05			7,969,630.90	130,840,169.04	253,275,276.79	2,285,169,023.78	467,906,188.00	2,753,075,211.78	
III. Movements during the period (decrease denoted by a "-")							335,580.78	3,087,809.19	9,133,508.34	124,293,782.90	136,850,681.21	22,067,196.91	158,917,878.12	
(1) Total comprehensive income										133,427,291.24	133,427,291.24	70,526,584.44	203,953,875.68	
(2) Contribution and withdrawal of capital by shareholders							335,580.78				335,580.78		335,580.78	
1. Common stock contributed by shareholders														
2. Proceeds from other equity instruments holders														
3. Share-based payment recorded in owners' equity														
4. Others							335,580.78				335,580.78		335,580.78	
(3) Appropriation of profits									9,133,508.34	-9,133,508.34		-69,378,821.53	-69,378,821.53	
1. Appropriation to surplus reserves									9,133,508.34	-9,133,508.34				
2. Distributions to shareholders												-69,378,821.53	-69,378,821.53	
3. Others														
(4) Internal carry-over of shareholders' equity														
1. Transfer of capital reserve to share capital														
2. Transfer of surplus reserves to share capital														
3. Making up of losses with surplus reserves														
4. Transfer of changes in defined benefit plans to retained earnings														
5. Transfer of other comprehensive income to retained earnings														
6. Others														
(5) Special Reserves								3,087,809.19			3,087,809.19	126,565.38	3,214,374.57	
1. Appropriation during the period								42,139,316.27			42,139,316.27	9,144,131.21	51,283,447.48	
2. Utilization during the period								39,051,507.08			39,051,507.08	9,017,565.83	48,069,072.91	
(6) Other												20,792,868.62	20,792,868.62	
IV. Closing Balance of the period	880,084,656.00				1,012,999,291.05		335,580.78	11,057,440.09	139,973,677.38	377,569,059.69	2,422,019,704.99	489,973,384.91	2,911,993,089.90	

## APPENDIX II

## FINANCIAL INFORMATION OF THE TARGET GROUP

Shandong Shengli Co., Ltd. 2020 Annual Report

Statement of Changes of Shareholders' Equity of Parent Company											
Prepared by: Shandong Shengli Co., Ltd.		Year 2020							Unit: RMB		
Item	Share capital	Other equity instruments			This Period						
		Preference shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Total shareholders' equity
I. Closing balance of previous year	880,084,656.00				1,029,005,838.54		335,880.78		139,548,667.68	193,270,970.53	2,242,245,713.53
Add: Change in Accounting Policies											
Correction of Errors in the Previous Period											
Other											
II. Opening balance of the year	880,084,656.00				1,029,005,838.54		335,880.78		139,548,667.68	193,270,970.53	2,242,245,713.53
III. Movements during the period (decrease denoted by "-")					678,900.01		-19,289,524.88		12,006,185.25	77,252,713.49	70,648,273.87
(1) Total comprehensive income										120,061,852.48	120,061,852.48
(2) Contribution and withdrawal of capital by shareholders											
1. Common stock contributed by shareholders											
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owners' equity											
4. Others											
(3) Appropriation of profits									12,006,185.25	-42,809,138.96	-30,802,953.74
1. Appropriation to surplus reserves									12,006,185.25	-12,006,185.25	
2. Distributions to shareholders										-30,802,953.74	-30,802,953.74
3. Others											
(4) Internal carry-over of shareholders' equity					678,900.01		-19,289,524.88				-18,610,624.87
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserves to share capital											
3. Making up of losses with surplus reserves											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others					678,900.01		-19,289,524.88				-18,610,624.87
(5) Special Reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Other											
IV. Closing Balance of the period	880,084,656.00				1,029,684,738.55		-18,953,644.10		151,554,852.93	270,523,684.02	2,312,893,987.40

## APPENDIX II

## FINANCIAL INFORMATION OF THE TARGET GROUP

Shandong Shengli Co., Ltd. 2020 Annual Report

Statement of Changes of Shareholders' Equity of Parent Company											
Prepared by: Shandong Shengli Co., Ltd.		Year 2020							Unit: RMB		
Item	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Total shareholders' equity
		Preference shares	Perpetual bonds	Other							
I. Closing balance of previous year	880,084,656.00				1,029,005,838.54				130,415,159.34	110,405,471.25	2,149,911,125.13
Add: Change in Accounting Policies										663,924.20	663,924.20
Correction of Errors in the Previous Period											
Other											
II. Opening balance of the year	880,084,656.00				1,029,005,838.54				130,415,159.34	111,069,395.45	2,150,575,049.33
III. Movements during the period (decrease denoted by a "-")							335,580.78		9,133,508.34	82,201,575.08	91,670,664.20
(1) Total comprehensive income										91,335,083.42	91,335,083.42
(2) Contribution and withdrawal of capital by shareholders							335,580.78				335,580.78
1. Common stock contributed by shareholders											
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owners' equity											
4. Others							335,580.78				335,580.78
(3) Appropriation of profits									9,133,508.34	-9,133,508.34	
1. Appropriation to surplus reserves									9,133,508.34	-9,133,508.34	
2. Distributions to shareholders											
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserves to share capital											
3. Making up of losses with surplus reserves											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
(5) Special Reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Other											
IV. Closing Balance of the period	880,084,656.00				1,029,005,838.54		335,580.78		139,548,667.68	193,270,970.53	2,242,245,713.53

### III. Notes to Financial Statements

## Notes to Financial Statements of Shandong Shengli Co. Ltd.

(Expressed in RMB Yuan in these notes, unless otherwise stated)

### I. Basic Corporate Information

Shandong Shengli Co., Ltd. (the "Company") was established by Shandong Shengli Group Company alone on 8 February 1994 as approved by Shandong Provincial Economic System Reform Commission under the document numbered Lu Ti Gai Sheng Zi (1994) No. 39, and formally established as a joint stock company under the document numbered Lu Ti Gai Sheng Zi (1994) No. 103 on 26 April 1994. The Company's A shares were listed on the Shenzhen Stock Exchange on 3 July, 1996 under the short stock name of "Shengli Gufen" and stock code: 000407.

The Company's Uniform Social Credit Code: 91370000163074944M.

Registered address: 32nd Floor, Block B, Building 1, Jinan Yaogu, Gangxing 3rd (North) Road, Hi-Tech District, Jinan City, Shandong Province.

Scope of Business: Gas business (natural gas, CNG, vehicle gas refueling, valid for the period stated on the license). Equity investment management; Technological consultation, development and transfer; research, production, sales and installation of plastic products; self-managed import and export business and sales of chemical products (excluding dangerous chemicals); real estate development and earthworks. (The items that requires approval by law can only be dealt in after being approved by the relevant departments.)

For details of the subsidiaries included in the scope of consolidation of the Company, please refer to Notes "VI. Changes in Scope of Consolidation" and "VII. Interests in Other Entities". The financial statements were published by the Board of Directors of the Company according to its resolution dated 26 April 2021.

### II. Basis of Preparation of Financial Statements

(1) Basis of Preparation: The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises - Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively the "ASBEs"), and on the basis of the significant accounting policies and accounting estimates described below.

(2) Going Concern:

The Company has had the ability to continue as a going concern for at least 12 months from the end of the reporting period and there are no material events affecting the ability to continue as a going concern.

### III. Significant accounting policies and estimates

(1) Statement of compliance with corporate accounting standards

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 31 December 2020, and operating results and cash flows in 2020, as well as other relevant information.

(2) Accounting Period

The accounting year of the Company begins on January 1 and ends on December 31.

(III) Operating Cycle

The Company takes one year or 12 months as its normal operating cycle that serves as the division standard for the liquidity of assets and liabilities.

(IV) Reporting Currency

The Company uses Renminbi as its reporting currency.

(V) Business combinations

1. Business combination under common control

For long-term equity investments resulting from a business combination under common control where the acquirer pays cash, transfers non-cash assets or assumes debts as consideration for the combination, the Company's share of the carrying value of the owner's equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of the combination is used as the initial investment cost of the long-term equity investment. In case the acquirer pays the consideration for the combination by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve; or against the retained earnings of the Company in case of insufficient capital reserve.

2. Business combination not under common control

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Identifiable assets, liabilities and contingent liabilities of the acquiree acquired in a business combination not under common control that meet the criteria for recognition are measured at fair value at the date of acquisition. Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised as goodwill. Where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised in the non-operating income for the current period if confirmed after review.

(6) Preparation of Consolidated Financial Statements

1. Scope of Consolidated Financial Statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

2. Harmonisation of Accounting Policies, Balance Sheet Date and Accounting Period Between Parent Company and its Subsidiaries

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods.

3. Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the financial statements of the company and subsidiaries, which offset the internal transactions incurred between the company and subsidiaries and between subsidiaries. The portion of a subsidiary's equity that is not attributable to the company is treated as minority interests and presented as "minority interest" in the consolidated balance sheet under Minority Stockholder's Interest. Long-term equity investments in the Company held by the subsidiaries are treated as treasury stock of the Company and presented in "Less: Treasury Stock" as a deduction from shareholders' equity in the consolidated balance sheet under Shareholders' Equity.

4. Accounting treatment of subsidiaries acquired from business combination

For a subsidiary acquired in a business combination under common control, the assets, liabilities, operating results and cash flows of the subsidiary are included in the consolidated financial statements starting from the beginning of the period of the combination, as if the business combination had occurred from the time the ultimate controlling party assumed effective control; For subsidiaries acquired through business combination not under common control, in preparing the financial statements, their individual financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

5. Accounting Treatment of Disposal of Subsidiaries

As for the difference between the disposal price received from the partial disposal of an long-term equity investment in a subsidiary without loss of control and shares of the subsidiary's net assets (which is calculated on an ongoing basis from the acquisition date or the combination date) corresponding to the disposal of the long-term equity investment, it shall be adjusted against the capital reserves (capital premium or equity premium) in the consolidated balance sheet, and adjusted against retained earnings if the capital reserves is insufficient.

Where control over an investee is lost due to partial disposal of the equity investment or any other reasons,



the remaining equity shall be remeasured at fair value on the date in which control is lost when preparing consolidated financial statements. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company calculated on a continuous basis since the acquisition date or on the combination date, is recognised as the investment income for the period when the control is lost and offset against goodwill. Other comprehensive income related to equity investments in ex-subidiaries, among others, is transferred to investment income for the period when the control is lost.

(7) Classification of joint arrangements and accounting treatment for joint operations

1. Classification of joint arrangements

Joint arrangements are classified as joint operation and joint ventures. Joint arrangements established not through separate entities are classified as joint operations. Separate entities refer to the entities with separate identifiable financial architecture including separate legal entities and legally recognised entities without the qualification of legal entity. Joint arrangements established through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties under a joint arrangement due to changes in relevant facts and circumstances, the parties will reassess the classification of joint arrangements.

2. Accounting treatment for joint operations

The Company as a party to a joint operation should recognise the following items in relation to their share of interest in joint operation, and accounts for them in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: its separate assets or liabilities held, and recognise the assets or liabilities jointly held according to their respective shares; incomes from sale of output from the joint operation it receives on a pro-rata basis; incomes attributable to it on a pro-rata basis as a result of the sale of output from the joint operation; and expenses incurred solely by it and those incurred by the joint operation on a pro-rata basis.

In case the Company is a party to a joint operation not under common control, if it is entitled to relevant assets and undertakes relevant liabilities of the joint operation, accounting will be carried out with reference to the provisions applicable to the parties of joint operation; otherwise, it should be subject to relevant requirements under the ASBEs.

3. Accounting treatment for joint ventures

If the Company is a party to a joint venture, it shall account for its investment in the joint venture in accordance with the provisions of ASBE No. 2, "Long-term equity investment", and if the Company is not a party to a joint venture, it shall account for the joint venture according to the extent of its influence over the joint venture.

(8) Recognition Criteria for cash and cash equivalents

Cash determined in the preparation of statement of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statement of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(9) Foreign currency transactions and translation of foreign currency financial statement

1. Translation of foreign currency transactions

A foreign currency transaction is translated to its reporting currency for accounting purpose using the exchange rate prevailing on the date of the transaction. Any exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used at its initial recognition or on the last balance sheet date shall be recognised in profit or loss for the period, except for those arising from specific borrowings denominated in foreign currency and qualified for capitalisation, which are capitalised as cost of the related assets during the capitalisation period. A non-monetary item denominated in foreign currency measured at historical cost shall be translated using the spot exchange rate prevailing on the date when a transaction occurs and the amount of its reporting currency shall remain unchanged. A non-monetary item denominated in foreign currency at fair value shall be translated using the spot rate on the date when its fair value is determined, and the resulting exchange difference between the amount in the reporting currency after translation and the original amount in the reporting currency shall be recognised as changes in fair value (including change of exchange rate) in profit or loss for the period or in other comprehensive income.

2. Translation of foreign currency financial statement

If the subsidiaries, joint ventures and associates of the Company are different from Company in terms of reporting currency, the Company shall translate their foreign currency financial statements before accounting for them and preparing the consolidated financial statements. Assets and liabilities in the balance sheet shall be translated using the spot exchange rates on the balance sheet date; except retained profit, items under owner's

equity shall be translated using spot exchange rates at occurrence. Income and expense items in the income statement shall be translated using the spot exchange rates on their transaction dates. Translation differences arising from the translation of foreign currency financial statements are presented in the balance sheet under Other Comprehensive Income in Owners' Equity. Cash flow dominated in foreign currency shall be translated using the spot rates at occurrences. The effects of exchange rate changes on cash are presented separately in the cash flow statement. On disposal of a foreign operation, the difference from translation of foreign currency statement relating to the foreign operation is transferred to profit or loss for the period of disposal, either in full or in proportion to the disposed portion of the foreign operation.

(10) Financial Instruments

1. Classification and recognition of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Financial Assets

The Company classifies a financial asset as a financial asset measured at amortised cost if it also meets the following criteria: (1) The Company's business model for managing this financial asset is to collect contractual cash flows; (2) The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

The Company classifies financial assets as financial assets measured at fair value through other comprehensive income if they also meet the following criteria: (1) The Company's business model for managing this financial assets is to both receive its contractual cash flows and sell this financial asset; (2) The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

For investments in non-trading equity instruments, the Company may irrevocably designate them as financial assets at fair value through other comprehensive income on initial recognition. Such designation is made on individual basis and underlying investment meets the definition of an equity instrument from the issuer's perspective.

Financial assets other than those classified as financial assets at amortised cost and those at fair value through other comprehensive income are classified by the Company as financial assets at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset as at fair value through profit or loss if it can eliminate or reduce accounting mismatches.

When the Company changes its business model for managing financial assets, it reclassifies all affected underlying financial assets at the first day of the first reporting period following the change in business model and applies the related accounting treatment from the date of reclassification on a prospective basis without retrospective adjustment to previously recognised gains, losses (including impairment losses or gains) or interest.

(2) Financial liabilities

Financial liabilities are classified on initial recognition as: Financial liabilities at fair value through profit or loss; Financial liabilities arising when the transfer of financial assets do not qualify for derecognition or involve financial liabilities transferred; Financial liabilities at amortised cost. All financial liabilities are not reclassified.

2. Measurement of financial instruments

The Company measures its financial instruments at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, related transaction costs are charged directly to profit or loss for the period. For other types of financial assets or financial liabilities, related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

(1) Financial Assets

(1) Financial assets at amortised cost. Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost that are not the subject of any hedging relationship are recognised in profit or loss for the period when derecognised, reclassified, amortised under the effective interest method or impaired.

(2) Financial assets at fair value through profit or loss. Subsequent to initial recognition, financial assets in this category (except for the portion of financial assets that is part of a hedging relationship) are subsequently measured at fair value, with the resulting gain or loss (including interest and dividend income) recognised in profit or loss for the period.

(3) Debt instrument investment at fair value through other comprehensive income. Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain and loss calculated using the effective interest method is recognised in profit or loss for the period when they incur, and other gains or losses are all recognised in other comprehensive income. When derecognised,

the accumulated gains or losses previously recognised in other comprehensive income are transferred out from other comprehensive income and recognised in profit or loss for the period when they incur.

(2) Financial liabilities

(1) Financial liabilities at fair value through profit or loss. Such financial liabilities comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value and gains or losses (including interest expense) arising from changes in the fair value of financial liabilities held for trading are recognised in profit or loss for the period, except when they relate to hedge accounting. Where a financial liability is designated as at fair value through profit or loss, the amount of change in the fair value of that financial liability arising from changes in the Company's own credit risk is recognised in other comprehensive income and other changes in fair value are recognised in profit or loss for the period. If the effect of changes in the financial liability's own credit risk included in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Company includes all gains or losses on the financial liability in profit or loss for the period.

(2) Financial liabilities at amortised cost. Subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

3. How the Company determines the fair value of financial instruments

Where there is an active market for a financial instrument, the Company uses quoted prices in the active market to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market. Valuation techniques mainly include market method, income method and cost method. In limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution. The Company uses all information available after initial recognition regarding the investee's results and operations to determine whether the cost is representative of fair value.

4. Basis for recognition and method for measurement of transfers of financial asset liabilities

(1) Financial Assets

The Company derecognises a financial asset when one of the following conditions is met: (1) the contractual right to receive cash flows from the financial asset is terminated; (2) the financial asset has been transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial asset; (3) the financial asset has been transferred, where the Company has neither transferred nor retained substantially all the reward on the ownership of the financial asset, but doesn't retain the control over the financial asset.

Where the Company neither transfers nor retains substantially all the rewards on ownership of a financial asset and retains control over the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset, and recognises the liability accordingly.

Where a transfer of a financial asset in its entirety satisfies the derecognition criteria, the Company recognises the difference between the following two amounts in profit or loss for the period: (1) the carrying amount of the transferred financial assets on the date of derecognition; (2) The sum of the consideration received for the transfer of the financial asset and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included directly in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

When the partial transfer of a financial asset satisfies the derecognition criteria, the overall carrying amount of the financial asset transferred is allocated between the derecognised portion and not derecognised portion by their respective fair values on the date of transfer first, and the difference between the two amounts below is then recognised in profit or loss for the period:

(1) the carrying amount of the derecognised portion at the date of derecognition; (2) The sum of the consideration received for the derecognised part and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

Upon derecognition of an equity instrument investment not held for trading purpose designated by the Company as at fair value through other comprehensive income, the cumulative gain or loss previously included in other comprehensive income is transferred from other comprehensive income to retained earnings.

(2) Financial liabilities

If the current obligation of the financial liability has been discharged in whole or in part, the Company shall derecognise the financial liability (or its corresponding part).

If a financial liability (or part thereof) is derecognised, the Company records the difference between its carrying amount and the consideration paid (including non-cash assets transferred or liabilities assumed) in profit or loss for the period.

## (11) Method for determination of expected credit losses and accounting treatment

## 1. Method for determination of expected credit losses

The Company accounts for financial assets (including receivables) measured at amortised cost, debt investments (including receivables financing) classified as at fair value through other comprehensive income, and lease receivables, on the basis of expected credit losses, and recognises a provision for impairment.

The Company assesses on each balance sheet date whether there has been a significant increase in the credit risk of the underlying financial instruments since initial recognition, dividing the process of credit impairment of financial instruments into three stages, with different accounting treatment for different stages of impairment of financial instruments: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the provision for losses based on the expected credit loss of the financial instrument over the next 12 months and calculates interest income based on its carrying amount (i.e. before provision for impairment being made) and the effective interest rate; (2) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the Company measures the provision for losses based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its carrying amount and the effective interest rate; (3) In the third stage, if a credit impairment occurs after initial recognition, the Company measures the provision for loss based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its amortised cost (carrying amount less provision for impairment) and the effective interest rate.

## (1) Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

A financial instrument is considered to have low credit risk if the risk of default is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong and, even if there are adverse changes in economic conditions and operating environment in the longer term, this may not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

## (2) Method of measuring loss provision for accounts receivable and lease receivables

## (1) Receivables without a significant financing component

For receivables without a significant financing component resulting from transactions subject to ASBE 14 - Revenue, the Company applies a simplified approach whereby the provision for losses is always measured on the basis of expected credit losses over the entire life of the receivable.

## (2) Receivables with significant financing components and lease receivables

For receivables with significant financing components and lease receivables subject to ASBE 21 - Leases, the Company measures the provision for losses in accordance with the general method, i.e. the "three-stage" model.

## (3) Method of measuring loss provision for other financial assets

For financial assets other than those mentioned above, such as: Debt investments, other debt investments, other receivables, and long-term receivables other than lease receivables among others, the Company measures their provision for losses in accordance with the general method, i.e. the "three-stage" model.

## 2. Accounting method for expected credit loss

To reflect changes in the credit risk of a financial instrument since initial recognition, the Company re-measures the expected credit losses on each balance sheet date. The resulting increase or reversal in the provision for losses is recognised as an impairment loss or gain in profit or loss for the period and is offset against the carrying amount of the financial asset as shown in the balance sheet, or included in the expected liabilities (loan commitments or financial guarantee contracts) or in other comprehensive income (debt investments at fair value through other comprehensive income), depending on the type of financial instrument.

## (12) Inventories

## 1. Classification of inventories

Inventories means, among others, finished goods or merchandise held for sale in the ordinary course of business, unfinished connection works, materials or supplies used in the process of production or rendering of services. These include, among others, raw materials, packaging, low-value consumables, in-process products and finished goods (inventory goods).

## 2. Accounting method for dispatching inventories

When inventories are dispatched, the weighted-average method is used to determine the actual cost of the dispatch.

## 3. Method of provision for decline in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realisable value. The provision for decline in value of inventories is made on an item-by-item basis. The provision for decline in the value of inventories with large quantity and of low unit cost is made according to their inventory category.

## 4. Inventory count system

The Company adopts a perpetual inventory count system.

## 5. Amortisation of low value consumables and packaging materials

Low-value consumables and packaging materials are amortised using one-off method.

## (13) Contractual assets and contractual liabilities

### 1. Contractual Assets

The Company presents as contractual assets rights to receive consideration for goods or services that have been transferred to customers (and that are dependent on factors other than the passage of time). Provision for impairment of contractual assets is made based on the expected credit loss method for financial instruments. For contractual assets that do not contain or have a significant financing component, the Company uses the simplified method to measure the provision for losses. For contractual assets that contain a significant financing component, the Company measures the provision for losses on a general basis.

An impairment loss on a contractual asset is debited to "Impairment loss on assets" and is credited to "provision for impairment of contractual assets" according to the amount written down. Reverse entries are made upon reversing a provision for impairment of an asset that has been made.

### 2. Contractual liabilities

The Company presents as contractual liabilities obligations to transfer goods or provide services to customers for consideration received or receivable.

## (14) Long-term equity investments

### 1. Determination of initial investment cost

For long-term equity investment acquired through business combination, if under common control, the initial investment cost of the long-term equity investment represents the proportion of the carrying value of net assets acquired from the acquiree in the consolidated financial statements of the ultimate controlling party on the date of acquisition; if not under common control, the initial investment cost of long-term equity investment represents the combination cost determined on the date of acquisition; For long-term equity investments acquired by payment in cash, the initial investment cost represents the purchase price actually paid; For long-term equity investments acquired through the issue of equity securities, the initial investment cost represents the fair value of the equity securities issued; For the long-term equity investment acquired through debt restructuring, the initial investment cost of the long-term equity investment is determined in accordance with the relevant provisions of ASBE No. 12 - "Debt Restructuring"; For long-term equity investments acquired in exchange for non-monetary assets, the initial investment cost is determined in accordance with the relevant provisions of ASBE No. 7 - "Non-monetary Asset Exchanges".

### 2. Subsequent measurement and recognition of profit or loss

Where the Company has control over an investee, the long-term equity investment in such investee is measured using the cost method. Long-term equity investments in associates and joint ventures shall be measured using the equity method. If a portion of the Company's equity investment in an associate is held indirectly through a venture capital entity, mutual fund, trust company or similar entity (including an investment-linked insurance fund), the Company shall, regardless of whether the above entities have significant influence over this portion of the investment, treat them in accordance with the relevant provisions of ASBE 22 - Recognition and Measurement of Financial Instruments, with the remainder accounted for using the equity method.

### 3. Basis for determination of common control and significant influence over an investee:

Common control over an investee means that decisions on activities that materially affect the return on an arrangement must be made with the unanimous consent of the participants sharing control, including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities; Significant influence over an investee refers to the following circumstances: when holding more than 20% but less than 50% of the shares with voting rights in the investee; or even if the shareholding is below 20%, there is still significant influence if any of the following conditions is met: hold a seat or more in the board of directors or similar governing body of the investee; Participate in the policy



development process of the investee; Assign key management personnel to the investee; the investee relies on the technology or technical information of the investor; there are major transactions with the investee.

(15) Investment properties

The Company's investment properties are classified as land use rights for lease, buildings for lease and land use rights held for transfer upon appreciation. Investment properties are measured initially at cost and subsequently using the fair value model.

(16) Fixed assets

1. Criteria for recognition of fixed assets

Fixed assets are tangible assets held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognised when the following criteria are all met: it is likely that the economic benefits associated with the fixed asset will flow to the Company; the cost of the fixed asset can be measured reliably.

2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified as: buildings and structures, machinery and equipment, means of transportation, and gas transmission facilities among others; The fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Categories of Assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures (Note)	30—70	3	1.39 - 3.23
Machinery and equipment	8—20	3	4.85—12.13
Means of Transportation	6—10	3	9.70—16.17
Gas Transmission Facilities	14—30	3	3.23—6.93
Other	3—5	3	19.40—32.33

Notes: If the land on which the buildings and structure of the natural gas operation of the Company are located is leasehold land and it is not possible to obtain a title deed for the buildings and structure, the land is amortised based on the lease term in the land lease contract executed and the estimated net residual value is zero.

3. Basis for Recognition and Method for Pricing of Fixed Assets Leased in under Finance Lease

Fixed assets leased-in under finance lease are leases that transfer substantially all the risks and rewards associated with ownership of the assets. The initial valuation of a fixed asset leased in under finance lease is the lower of the fair value of the leased asset and the present value of the minimum lease payments at the commencement date of the lease; The subsequent measurement of the fixed asset leased in under finance lease is consistent with the accounting policies adopted for self-owned fixed assets in respect of depreciation and provision for impairment.

(17) Construction in progress (CIP)

The Company has two types of construction in progress: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. The criteria for determining the readiness for its intended use shall be one of the following: the physical construction (including installation) of the fixed asset has been fully or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate properly or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; the amount of further expenditure on the fixed asset constructed is minimal or almost no longer occurs; The fixed asset acquired have met the design or contractual requirements, or are substantially in conformity with the design or contractual requirements.

## (18) Borrowing costs

## 1. Criteria for recognition of capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalisation are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses as incurred and recognised in profit or loss for the period based on the amount incurred. Assets qualified for capitalisation are fixed assets, investment properties and inventories that require a substantial period of acquisition, construction or production activity to reach their intended useable or saleable condition.

## 2. Calculation of capitalisation amount

A capitalisation period refers to a period from the point at which a borrowing cost starts to be capitalised to the point at which it ceases to be capitalised. The period during which the borrowing cost suspend its capitalisation is not included. The capitalisation of the borrowing cost shall be suspended when the acquisition and production activities are interrupted abnormally for a period of more than three months.

For specific borrowings, the capitalised amount shall be the actual interest expense incurred for the specific borrowings, less the interest income from the unused funds of the borrowings deposited in bank or investment income from the temporary investments; for general borrowings, the weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from specific borrowings times the capitalization rate of the general borrowings so occupied; for borrowings with discount or premium, the discount or premium was amortised over the term of the borrowings to adjust the interest in every period using effective interest rate method.

The effective interest method is based on the effective interest rate of the borrowings to calculate the amortisation of discount or premium or interest expense. The effective interest rate is the rate in discounting the estimated future cash flows throughout the expected life of the borrowings to the current carrying amount of the borrowings.

## (19) Intangible assets

## 1. Method for Valuation of Intangible Assets

The Company's intangible assets are initially measured at cost. Intangible assets acquired are measured at actual cost based on the actual price paid and related expenses. The actual cost of intangible assets contributed by investors is determined at the value agreed in the investment contract or agreement, unless the value agreed in the contract or agreement is not fair, where the actual cost is determined at fair value. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

The Company's intangible assets are measured subsequently as follows: Intangible assets with finite useful lives are amortised using the straight-line method; at the end of each year, the useful lives and amortization policy of the intangible assets are reviewed, and adjusted accordingly if any difference from the original estimates are identified; Intangible assets with infinite useful lives are not amortised, but their useful lives are reviewed at the end of the year and when there is conclusive evidence that their useful lives are finite, they are amortised on a straight-line basis after their useful lives are determined.

## 2. Basis for determination of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The basis for determination of infinite useful life is the useful life is derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; The duration of the intangible asset's economic benefit to the Company cannot be determined based on a combination of industry conditions or relevant expert opinions.

At the end of each year, the useful lives of intangible assets with infinite useful lives are reviewed, mainly on a bottom-up basis, by the departments concerned with the use of intangible assets, to evaluate whether there are changes in the basis for the determination of infinite useful lives.

3. Specific criteria for the research and development phases of internal research and development projects, and specific criteria for capitalisation of development phase expenditures

Expenditure during the development stage are transferred to intangible assets if the criteria for recognition of intangible assets are satisfied; Development stage expenditures that meet the criteria for recognition as intangible assets are transferred to intangible assets for accounting purposes.

## (20) Impairment of long term assets

Long-term assets such as long-term equity investments, fixed assets, construction in progress, intangible assets and goodwill are tested for impairment if there is any indication of impairment on the balance sheet date. If,

as a result of an impairment test, the recoverable amount of an asset is less than its book value, an impairment charge is made for the difference and included in the impairment loss.

The recoverable amount is the higher of the asset's net fair value less disposal expenses and the present value of the asset's estimated future cash flows. The asset impairment charge is calculated and recognised on an individual asset basis. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of that asset group is determined by reference to the asset group to which that asset group belongs. An asset group is the smallest group of assets that can generate cash inflows independently.

Goodwill that is separately presented in the financial statements is tested for impairment at least annually, irrespective of whether there is any indication of impairment. On impairment testing, the carrying amount of goodwill is allocated to the asset group or group of asset groups that are expected to benefit from the synergies of the business combination. If the test indicates that the recoverable amount of the asset group or group of asset groups containing the goodwill being amortised is less than its carrying amount, a corresponding impairment loss is recognised. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or the group of asset groups, and then deducted from the book value of other assets within the asset groups or the group of asset groups in proportion to the book value of other assets.

An impairment loss of the above assets once recognised shall not be reversed in a subsequent period.

#### (21) Long-term deferred expenses

The Company's long-term deferred expenses are expenses that have been paid but the benefit period is over one year (not inclusive). Long-term deferred expenses are amortised over the benefit period. If a long-term deferred expense cannot benefit the future accounting period, the residue value of such item not amortised yet shall be all transferred to the profit or loss in the current period.

#### (22) Employee Benefits

Employee benefits are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

##### 1. Short-term Benefits

In the period of employee services, short-term benefits actually incurred are recognised as liabilities in profit or loss for the period, or charged to costs of related assets if otherwise required or permitted by ASBEs. At occurrence, the Company recognises employee benefits in profit or loss for the period or charges to the costs of related assets as incurred. Employee benefits are measured at fair value if they are non-monetary in nature. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company shall calculate and recognise the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognise the corresponding liabilities in the accounting period in which employees render service, and recognise the same in profit or loss for the period or charge to costs of related assets.

##### 2. Post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution plan shall be recognised as a liability in profit and loss of current period or charged to the cost of related assets. Benefit obligations arising from defined benefit plans are attributed to employees over the period in which they render services and are included in profit or loss for the period or charged to the cost of the related assets in accordance with a formula determined under the projected unit credit method.

##### 3. Termination benefits

Termination benefits provided to employees by the Company are recognised as employee benefit liabilities arising from the termination benefits in profit or loss for the period at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and when the Company recognises costs for restructuring involving the payment of termination costs.

##### 4. Other long-term staff benefits

Other long-term employee benefits provided by the Company to its employees that meet the criteria of the defined contribution plan are accounted for in accordance with the relevant provisions of the defined contribution plan; In addition, the Company recognises and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

#### (23) Revenue



The Company recognises revenue when it has fulfilled its contractual performance obligations, i.e., when the customer obtains control of the related goods or services, based on the transaction price apportioned to that performance obligation. Gaining control of the relevant goods means being able to dominate the use of the goods and derive almost all of the economic benefits from it. A performance obligation refers to a contractual commitment by the Company to transfer to customer a clearly distinguishable goods. Transaction price refers to the consideration that the Company is expected to receive due to the transfer of goods to customer, but it does not include payments received on behalf of third parties and amounts that the Company expects to return to the customer.

Otherwise, the Company recognises revenue at the point in time at which the customer obtains control of relevant assets. If a performance obligation is fulfilled over a certain period, the Company recognises revenue in accordance with the progress of performance. Otherwise, the Company recognises revenue at a point in time when customer obtains control of the underlying asset.

The Company's revenue consists primarily of revenue from sale of gas, sale of equipment materials and trading. Under the terms of a sales contract or agreement, the Company recognises revenue from the sale of natural gas at the Company's gas stations on a same-day basis, taking into account current right to receive the goods, transfer of the principal risks and rewards on ownership of the goods, transfer of legal title to the goods, transfer of the physical assets of the goods, and acceptance of the goods by customer. The prepayment method is adopted for the sale of natural gas through its pipeline network, whereby the Company bills a customer for the actual quantity of gas used and the customer signs the bill, which is used by the Company to recognise the revenue and to deduct the amount from the payment received upfront from the customer; Revenue from gas connection business is recognised when the completion of the connection project has been confirmed by the customer, the project has reached the readiness for gas supply and the project acceptance formalities have been completed; Revenues from sale of equipment materials and trading are recognised when a goods is dispatched and confirmation of its receipt is received from customer.

#### (24) Contract costs

The Company's contract costs include incremental costs incurred to acquire a contract and contract performance costs. Incremental costs incurred to acquire a contract ("contract acquisition costs") are costs that would not have been incurred without the acquisition of the contract. If the cost is expected to be recovered, the Company recognises it as a contract acquisition cost in assets.

Costs incurred by the Company to perform a contract that are not subject to other ASBEs, such as inventories, are recognised as a contract performance cost in assets if the following conditions are met:

1. The cost is directly related to a current or anticipated contract, and includes direct labor, direct materials, manufacturing costs (or similar expense), costs explicitly borne by customer, and other costs incurred solely as a result of that contract;
2. the cost increases the resources available to the Company in the future to meet its contractual obligations;
3. the cost is expected to be recovered.

Assets recognised for contract acquisition costs and contract performance costs ("assets related to contract costs") are amortised in profit or loss on the same basis as the revenue recognised for the goods to which the assets relate.

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment according to the excess and recognise it as asset impairment loss:

1. the remaining consideration expected to be received for the transfer of the goods to which the asset relates;
2. the estimated costs to be incurred for the transfer of the underlying goods.

#### (25) Government grants

##### 1. Types of government grants and accounting treatment

Government grants are monetary or non-monetary assets (but not capital contributed by the government as an owner) that the Company receives from the government at no cost. Government grants that are monetary assets shall be measured at the amount received or receivable. Government grants that are non-monetary assets are measured at fair value; If the fair value cannot be reliably obtained, it is measured at the nominal amount.

Government grants related to normal business course are included in other income in accordance with the nature of the economic operations. Government grants that are not related to normal business course are included in non-operating income and expenses.

Government grants that are explicitly provided in government documents for the acquisition or other formation of long-term assets are recognised as asset-related government grants. For a grant where the subject of

the grant is not explicit specified in the government document, the part of the government grant corresponding to the value of the asset is treated as asset-related government grant and the rest as revenue-related government grant if it can form a long-term asset; For a grant that is not easily distinguishable, the government grant in a whole is treated as revenue-related government grant. Assets-related government grants are recognised as deferred income. The amount recognised as deferred revenue shall be recognised in profit or loss for the period by installments in a reasonable and systematic way over the useful life of the relevant assets.

Government grants other than asset-related ones are recognised as revenue-related government grants. Revenue-related grants used to compensate the related expenses or losses of the Company in subsequent periods are recognised as deferred revenue in profit or loss for the period when the related expenses are recognised; Government grants intended to cover related expenses or losses already incurred by the Company are directly recognised in profit or loss for the period.

In the event that the Company has policy-based preferential loan interest discount, if the fiscal authority allocates the subsidy for interests to the lending bank that grants loans to the Company at a preferential policy rate, and the Company recognises the borrowing at the amount actually received from the bank and calculates relevant borrowing costs based on the principal of the loan and the preferential policy rate; If the subsidy for interests are paid directly to the Company, the Company reduces the related borrowing costs by the amount of the corresponding subsidy for interests.

#### 2. Timing of recognition of government grants

A government grant is recognised when the conditions attached to the government grant can be met and the grant is received or receivable. A government grant measured at the amount receivable is recognised when there is unambiguous evidence suggesting the satisfaction of the attached conditions as set out in the fiscal support policy and the grant fund is expected to be received. Government grants other than those measured at the amount receivable will be recognised at the actual time of receiving such grants.

#### (26) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount of assets and liabilities and its tax base (for items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognised as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available to offset deductible temporary differences. On the balance sheet date, deferred tax assets not recognised in prior period are recognised if there is conclusive evidence that sufficient taxable income is likely to be obtained in the future period to offset against deductible temporary differences. The carrying amount of deferred tax assets is reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised.

3. For taxable temporary difference related to the investments in subsidiaries and associates, the deferred income tax liabilities are recognised unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. For deductible temporary difference related to the investments in subsidiaries and associates, deferred income tax assets are recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and it is probable that future taxable income will be available against which the deductible temporary differences can be used.

#### (27) Lease

1. Accounting treatment method of operating leases Rental expense under operating lease is charged to the cost of the related assets or recognised in profit or loss for the period on a straight-line basis over the lease term.

2. Accounting treatment method of finance Leases The lower of the fair value of a leased-in asset and the present value of its minimum lease payments is used as the carrying amount of the leased-in asset. The difference between the the carrying amount of the leased-in asset and the minimum lease payments is accounted for as an unrecognised finance expense and is amortised over the lease term using the effective interest method. The balance of the minimum lease payments after deducting the unrecognised finance charges is presented as long-term payables.

#### (28) Held for sale and discontinued operations

The Company classifies non-current assets or disposal groups as held for sale if both of the following criteria are satisfied: (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions; (2) Sale is highly

likely. That is to say, the Company has resolved on a plan to sell and has received a firm commitment to purchase, and the sale is expected to be completed within one year. If the regulations require the Company to have the approval of the relevant authority or supervisory authority before the sale can take place, such approval shall have been obtained.

If the carrying value of a non-current asset held for sale or disposal group is greater than the net value of its fair value less costs of sale as measured at its initial measurement or as remeasured on the balance sheet date, the carrying amount is written down to the net value of fair value less cost of sale, and the amount of the write-down shall be recognised as an impairment loss on the asset in profit or loss, and an impairment charge on the asset held for sale is recognised.

Non-current assets held for sale or assets in the disposal group held for sale are presented as held-for-sale assets in the balance sheet, and liabilities in the disposal group held for sale are presented as held-for-sale liabilities.

A discontinued operation is a separately identifiable component that satisfies one of the following conditions and which has been disposed of by the Company or classified by the Company as held for sale:

1. the component represents a separate principal business or a separate major business region;
2. This component is part of an associated plan to dispose of a separate principal business or a separate major business region;
3. The component is a subsidiary acquired specifically for resale.

#### (29) Notes on changes in significant accounting policies and accounting estimates

##### 1. Changes in accounting policy and their basis

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises 14 - Revenue (the "new revenue standards") in 2017. The Company implemented the new revenue standards as well as the circular on 1 January 2020 to adjust the relevant part of its accounting policies.

The new revenue standard replaces ASBE 14 - Revenue, and ASBE 15 - Construction Contracts issued by the Ministry of Finance in 2006 (collectively, the "previous revenue standards"). Under the previous revenue standards, the Company used risk-reward transfers as the standard for determining the point of revenue recognition. The new revenue standards introduces a "five-step approach" to revenue recognition and measurement and provides more guidance on specific transactions or events. Under the new revenue standards, the Company uses the transfer of control as the criteria for determining the point of revenue recognition. For particulars of the accounting policy for revenue recognition and measurement, please refer to Note III (23).

The Company has adjusted the related accounting policies in accordance with the specific provisions of the new revenue standards regarding specific events or transactions. In accordance with the new revenue standards, contractual assets or contractual liabilities are presented in the balance sheet based on relationship between performance of obligation and customer payment.

The Company conducted a review of revenue streams and customer contract processes to assess the impact of the new revenue standards on the financial statements. The adoption of the new revenue standards had no material impact on the Company other than on the presentation of the financial statements.

## 2. Effect of changes in accounting policies

The impact of the implementation of the new revenue standards on the consolidated balance sheet and parent company balance sheet items as of 1 January, 2020 is summarized as follows.

In: RMB

Consolidated Balance Sheet Items	Balance as at 31 December 2019 before change in accounting policy	Effect of the new revenue standards	Balance as at 1 January 2020 after change in accounting policy
Assets:			
Accounts receivable	417,963,503.31	-36,543,858.84	381,419,644.47
Contractual Assets		36,543,858.84	36,543,858.84
Liabilities:			
Advance receipts	689,379,949.16	-689,379,949.16	
Contractual liabilities		633,004,563.60	633,004,563.60
Other current liabilities		56,375,385.56	56,375,385.56

Parent Company Balance Sheet Items	Balance as at 31 December 2019 before change in accounting policy	Effect of the new revenue standards	Balance as at 1 January 2020 after change in accounting policy
Liabilities:			
Advance receipts	21,451,128.38	-21,451,128.38	
Contractual liabilities		18,983,582.31	18,983,582.31
Other current liabilities		2,467,546.07	2,467,546.07

## IV. Taxation

## (1) Major taxes and tax rates

Taxes	Tax basis	Tax rate
VAT	Sales tax less deductible input tax	6%, 9%, 13%
Urban maintenance and construction tax	Actual amount of turnover tax payable	5%、7%
Education surcharge	Actual amount of turnover tax payable	3%
Local education surcharge	Actual amount of turnover tax payable	2%
Enterprise income tax	Income tax payable	15%, 20%, 25%

Name of taxpayer	Income Tax Rate
Shandong Shengli Co., Ltd.	25%
Shandong Shengbang Plastic Co., Ltd.	15%
Chongqing Shengbang Pipeline Co., Ltd.	15%
Shaanxi Huashan Shengbang Plastic Co., Ltd.	15%
Chongqing Shengbang Gas Co., Ltd.	15%
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	15%
Shandong Longyu Shengli Energy Co., Ltd.	20%
Shandong Lihuasheng Transportation Co., Ltd.	20%
Anyang Beisheng New Energy Development Co., Ltd.	20%
Chongqing Zhongbang Gas Equipment Co., Ltd.	20%
Zibo Lvchuan Ruyi Gas Safety Technology Co., Ltd.	20%
Bazhou Shengshun Gas Sales Co., Ltd.	20%
Puyang Shengli Clean Energy Co., Ltd.	20%
Wenzhou Shengyang Smart Technology Co., Ltd.	20%
Puyang Boyuan Energy Technology Co., Ltd.	20%
Dong'a County Ruitai Trade Co., Ltd.	20%
Qingdao Shengxin Meijiuhui. Co., Ltd.	20%
Other Companies	25%

## (2) Important Tax Preferential Treatments and Approval Documents

1. Shandong Shengbang Plastics Co., Ltd., a subsidiary of the Company has passed the certification of high-tech enterprise and obtained the certificate of high-tech enterprise, and the enterprise income tax for 2020 was calculated and paid at a tax rate of 15%.

2. Chongqing Shengbang Gas Co., Ltd, Chongqing Shengbang Pipeline Co., Ltd., and Qinzhou Shengli Natural Gas Utilization Co., Ltd and Shaanxi Huashan Shengbang Plastics Co., Ltd, subsidiaries of the Company have been approved to enjoy the preferential taxation policy for encouraging the development of industrial projects in the western region, and the enterprise income tax for 2020 was calculated and paid at a 15% tax rate.

3. On 17 January 2019, the Ministry of Finance and the General Administration of Taxation issued the Circular on Implementation of Universal Tax Relief Policy for Small and Micro Enterprises, which provides that from 1 January 2019 to 31 December 2021, the portion of the annual taxable income of small and micro enterprises below RMB 1 million shall be reduced by 25% before being taxed at the enterprise income tax rate of 20%; The portion of annual taxable income more than RMB 1 million but less than RMB 3 million shall be reduced by 50% before being taxed at the enterprise income tax rate of 20%; The following subsidiaries of the Company are small and micro-enterprises and subject to preferential income tax policies for small and micro enterprises: Shandong Longyu Shengli Energy Co., Ltd., Shandong Lihuasheng Transportation Co., Ltd., Anyang Beisheng New Energy Development Co., Ltd., Chongqing Zhongbang Gas Equipment Co., Ltd., Zibo Lvchuan Ruyi Gas Safety Technology Co., Ltd., Bazhou Shengshun Gas Sales Co., Ltd., Puyang Shengli Clean Energy Co., Ltd., Wenzhou Shengyang Smart Technology Co., Ltd., Puyang Boyuan Energy Technology Co., Ltd., Dong'a County Ruitai Trade Co., Ltd., and Qingdao Shengxin Meijiuhui. Co., Ltd.

## V. Notes to the key items of the consolidated financial statements

## (1) Monetary Funds

## 1. Breakdown of monetary funds

Categories	Closing balance	Opening balance
Cash	365,518.48	445,507.03
Bank deposit	452,411,411.21	459,446,453.60
Other cash at bank and on hand	442,370,338.50	280,127,500.00
Total	895,147,268.19	740,019,460.63

## 2. Other monetary funds

Categories	Closing balance	Opening balance
Banker's Acceptance Draft Security Deposit	280,532,309.26	269,620,000.00
Letter of Credit Security Deposit	17,943,118.01	10,507,500.00
Certificate of deposit	139,550,000.00	
Interest on Certificate of Deposit with Bank	2,228,506.85	
payments via POS, WeChat, Alipay and other third party platforms	2,116,404.38	
Total	442,370,338.50	280,127,500.00

## (2) Financial assets held for trading

Categories	Closing balance	Opening balance
Wealth Management Products with Banks	20,000,000.00	
Total	20,000,000.00	

## (3) Accounts receivable

## 1. Accounts receivable by category

VI. Categories	Closing figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis	498,680,449.14	100.00	116,061,465.41	23.27
Where: Ageing-based grouping	498,680,449.14	100.00	116,061,465.41	23.27
Total	498,680,449.14	100.00	116,061,465.41	23.27

Categories	Opening figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis	494,381,293.15	100.00	112,961,648.68	22.85
Where: Ageing-based grouping	494,381,293.15	100.00	112,961,648.68	22.85
Total	494,381,293.15	100.00	112,961,648.68	22.85

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Shandong Shengli Co., Ltd. 2020 Annual Report

### (1) Accounts receivable with provision for bad and doubtful debts on a group basis

Ageing	Closing figure			Opening figure		
	Book Balance	Expected credit loss ratio (%)	Bad debt provision	Book Balance	Expected credit loss ratio (%)	Bad debt provision
Less than 1 year	307,130,602.65	0.36	1,105,670.07	309,289,842.72	0.18	556,721.76
1 to 2 years	60,053,873.77	2.80	1,681,508.47	57,658,914.56	2.30	1,326,155.03
2 to 3 years	16,132,589.08	16.11	2,598,960.10	16,434,438.54	12.75	2,095,390.94
3 to 4 years	6,787,774.36	37.25	2,528,445.95	2,958,896.63	40.86	1,209,005.16
4 to 5 years	1,921,687.42	77.69	1,492,958.96	1,605,972.80	83.51	1,341,147.89
More than 5 years	106,653,921.86	100.00	106,653,921.86	106,433,227.90	100.00	106,433,227.90
Total	498,680,449.14	—	116,061,465.41	494,381,293.15	—	112,961,648.68

### (2) Provision for bad debts for the period:

The amount of bad debt provision made during the period was RMB3,099,816.73.

### (3) Five largest accounts receivable by debtor at the end of the period

Entity name	Closing balance	Percentage of total accounts receivable (%)	Bad debt provision balance
Shengbang Plastic Pipeline System Group Co., Ltd.	60,539,091.82	12.14	60,539,091.82
Bazhou Municipal People's Government	33,380,650.00	6.69	190,442.34
Dong'a County People's Government	29,529,480.00	5.92	402,265.44
Hebi Huazhuo Energy Technology Co., Ltd.	13,639,371.99	2.74	49,101.74
Jincheng Fenghuang Industry Co., Ltd.	13,173,727.99	2.64	47,425.42
Total	150,262,321.80	30.13	61,228,326.76

### (4) Accounts Receivable Financing

Categories	Closing balance	Opening balance
Banker's acceptance bill	48,792,081.24	45,178,585.31
Total	48,792,081.24	45,178,585.31

Notes receivable endorsed or discounted and derecognised at the end of the period but not yet due on the balance sheet date

Categories	Amount derecognised
Banker's acceptance bill	174,159,231.17
Total	174,159,231.17

## (5) Prepayments

## 1. Prepayments are presented by ageing

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than 1 year	199,224,945.44	98.22	226,235,844.41	99.65
1 to 2 years	3,504,398.51	1.73	608,648.07	0.27
2 to 3 years	63,879.69	0.03	160,920.06	0.07
More than 3 years	50,809.62	0.02	22,745.34	0.01
Total	202,844,033.26	100.00	227,028,157.88	100.00

## 2. Top 5 entities in terms of balance of prepayments

Entity name	Closing balance	Percentage of total prepayments (%)
PetroChina Compay Limited Hebei Natural Gas Sales Branch	60,861,468.28	30.00
Henan Natural Gas Sales Center, Natural Gas Branch, PetroChina Compay Limited	18,611,407.15	9.18
Chongqing Natural Gas Sales and Pipeline Branch, Southwest China Oil and Gas Field, PetroChina Compay Limited	17,151,088.86	8.46
Xinao Energy Trade Co., Ltd.	8,864,995.32	4.37
Shadong Natural Gas Sales Center, Natural Gas Branch, PetroChina Compay Limited	8,230,796.88	4.06
Total	113,719,756.49	56.07

## (6) Other receivables

Categories	Closing balance	Opening balance
Dividend receivable	110,215,135.02	
Other receivables	252,657,890.12	264,467,252.66

Categories	Closing balance	Opening balance
Less: Bad debt provision	84,999,162.48	84,751,688.26
Total	277,873,862.66	179,715,564.40

## 1. Dividend receivable

## (1) Dividends receivable by category

Item	Closing balance	Opening balance
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	100,270,000.00	
Qingdao Kunlun Shengli Gas. Co., Ltd.	9,945,135.02	
Total	110,215,135.02	



## 2. Other receivables

## (1) Other receivables by nature

Nature of amount	Closing balance	Opening balance
Borrowing and lending with investee companies (Note 1)	34,680,000.00	36,424,908.07
Guaranteed payments on behalf of others (Note 2)	20,065,391.67	20,065,391.67
Current accounts and others (Note 3)	197,912,498.45	207,976,952.92
Total	252,657,890.12	264,467,252.66

Note 1: In January 2014, the Company transferred 55% equity interest of Shandong Shengli Bioengineering Co., Ltd, a wholly-owned subsidiary of the Company, to Zhongmu Industrial Co. Ltd. In accordance with the equity transfer agreement, both parties provided financial support to Shandong Shengli Bioengineering Co., Ltd. in proportion to their shareholdings and charged it a capital occupation fee at the bank loan interest rate for the same period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations. The amount of financial grant mentioned above is gradually decreasing. The balance for the period was RMB32,720,000.00. In addition, the Company provided financial support of RMB1,960,000.00 to Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd., in which the Company owns 30% equity interest, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

Note 2: The bank loan of RMB20,000,000.00 borrowed by Qingdao Tongyong Plastic Co., Ltd. ("Qingdao Tongyong Plastic") from China Merchants Bank, which was guaranteed by the Company, matured on 10 April, 2016, and as Qingdao General Plastics failed to repay the loan on maturity, the Company fulfilled its guarantee obligations in accordance with the guarantee agreement and paid the principal and interest of RMB20,065,391.67 on the loan. Under the agreement, Qingdao General Plastics provided a collateral-based counter-guarantee for the guarantee provided by the Company with the use rights to 30 mu of land it holds. The Company has pursued the claim through litigation proceedings and won the second trial. The auction procedure of the collateral assets by the court is in progress, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

Note 3: On 23 January 2017, the Company transferred its equity interest in Shandong Shengbang Luye Chemistry Co., Ltd., a subsidiary of the Company and recovered other receivables from that subsidiary by instalments, with RMB10,000,000.00 recovered in 2020. The aggregate principal and interest balance of the remaining other receivables was RMB134,757,848.68 at the end of the period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

## (2) Disclosure of other receivables by aging

Ageing	Closing balance	Opening balance
Less than 1 year	12,977,207.01	27,759,047.72
1 to 2 years	12,276,998.99	10,337,017.52
2 to 3 years	9,666,267.21	134,514,157.71
3 to 4 years	128,383,490.60	24,054,831.59
4 to 5 years	24,004,663.79	5,657,418.44
More than 5 years	65,349,262.52	62,144,779.68
Total	252,657,890.12	264,467,252.66

## (3) Provisions made for bad debt

Bad debt provision	Stage I	Stage II	Stage III	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (without credit impairment)	Expected credit losses over the entire duration (with credit impairments)	
Opening balance	84,751,688.26			84,751,688.26
Opening balance in the current period after reassessment	84,751,688.26			84,751,688.26
Provision for the period	247,474.22		15,000.00	262,474.22
Write off for the period			15,000.00	15,000.00
Closing balance	84,999,162.48			84,999,162.48

## (4) Provision for bad debts for the period:

Categories	Opening balance	Amount of changes during the period		Closing balance
		Provision	Write-off	
Petty cash	259,257.14	-144,054.31		115,202.83
Security deposit and Guarantee	585,406.74	236,573.32	15,000.00	806,980.06
Company transactions and others	83,907,024.38	169,955.21		84,076,979.59
Total	84,751,688.26	262,474.22	15,000.00	84,999,162.48

## (5) Five largest other receivables by debtor at the end of the period

Name of debtors	Nature of amount	Closing balance	Ageing	percentage of total closing other receivables (%)	Bad debt provision balance
Shandong Shengbang Lvye Chemistry Co., Ltd.	Amount due from Shengbang Lvye	134,757,848.68	Less than 1 year RMB4,975,443.06, 1-2 years RMB7,801,002.00, 2-3 years RMB2,265,720.97, 3-4 years RMB119,715,682.65	53.34	12,294,464.29
Shandong Shengli Bioengineering Co., Ltd.	Borrowing and lending	32,720,000.00	Less than 1 year RMB1,490,770.94, 1-2 years RMB1,606,794.72, 2-3 years RMB1,716,723.51, 3-4 years RMB1,905,998.35, 4-5 years RMB2,831,081.49, more than 5 years RMB23,168,630.99	12.95	21,473,624.22
Qingdao Tongyong Plastic Co., Ltd.	Guaranteed payments on behalf of others	20,065,391.67	4-5 years	7.94	6,019,617.50
Yantai Lanhai Petrol Co., Ltd.	Equity transfer payments receivable	4,000,000.00	3-4 years	1.58	
CCIG Lease (Tianjin) Co., Ltd.	Security deposit	2,400,000.00	2-3 years	0.95	120,000.00
Total	—	193,943,240.35	—	76.76	39,907,706.01

## (7) Inventories

## Classification of inventories

Type of inventories	Closing balance			Opening figure		
	Book Balance	Provisions for write-down	Carrying amount	Book Balance	Provisions for write-down	Carrying amount
Raw materials	156,022,373.47	11,417,653.25	144,604,720.22	173,015,351.53	11,417,653.25	161,597,698.28
Low value consumables	62,542.56		62,542.56	108,948.13		108,948.13
Products in process	154,795,290.23		154,795,290.23	162,285,980.06		162,285,980.06
Products in stock	120,460,473.68	13,193,995.24	107,266,478.44	102,149,035.51	13,193,995.24	88,955,040.27
Packaging	620,176.15		620,176.15	600,656.68		600,656.68
Total	431,960,856.09	24,611,648.49	407,349,207.60	438,159,971.91	24,611,648.49	413,548,323.42

## 1. Provision for depreciation of inventories

Type of inventories	Opening balance	Provision for the period	Decrease for the year		Closing balance
			Write off	Other	
Raw materials	11,417,653.25				11,417,653.25
Products in stock	13,193,995.24				13,193,995.24
Total	24,611,648.49				24,611,648.49

## (8) Contractual Assets

## 1. Classification of contractual assets

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Guarantee	32,181,811.69	139,561.52	32,042,250.17	36,675,905.38	132,046.54	36,543,858.84
Total	32,181,811.69	139,561.52	32,042,250.17	36,675,905.38	132,046.54	36,543,858.84

## 2. Provision for impairment of contractual assets

## (1) Contractual assets tested for provision for impairment on a group basis

Item	Closing balance			Opening balance		
	Book Balance	Expected credit loss ratio (%)	Provision for impairment	Book Balance	Expected credit loss ratio (%)	Provision for impairment
Less than 1 year	31,210,216.69	0.36	112,356.86	33,561,285.38	0.18	60,410.28
1-2 years	971,595.00	2.80	27,204.66	3,114,620.00	2.30	71,636.26
Total	32,181,811.69	— —	139,561.52	36,675,905.38	— —	132,046.54

## (3) Provision for impairment of contract assets accrued for the period

The amount of provision for impairment accrued for the period was RMB7,514.98.

## (9) Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	40,231,336.75	45,744,283.07
Prepaid tax	9,197,906.06	5,169,881.88
Total	49,429,242.81	50,914,164.95

## (10) Long-term equity investments

Investor	Opening balance	Changes in the period							Closing balance	Closing balance of provision for impairment	
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment			Other
Associates:											
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	386,903,257.95			-659,405.12			100,270,000.00			285,973,852.83	
Shandong Shengli Bioengineering Co., Ltd.	193,732,248.63			18,182,163.29						211,914,411.92	
Shandong Kunlun Shengli Energy Co., Ltd.	22,381,768.79			634,682.35		98,011.68				23,114,462.82	
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	37,364,808.44			4,120,502.03						41,485,310.47	
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	59,663,941.23			693,296.39				4,518,749.50		55,838,488.12	4,518,749.50
Qingdao Kunlun Shengli Gas Co., Ltd.	118,073,805.40			4,720,494.99		580,888.33	9,945,135.02			113,430,053.70	25,868,518.27
Shenxian County PetroChina Kunlun Gas Co., Ltd.	10,917,348.67			527,562.88						11,444,911.55	
Total	829,037,179.11			28,219,296.81		678,900.01	110,215,135.02	4,518,749.50		743,201,491.41	30,387,267.77

## (11) Other equity instrument investments

Item	Opening balance	Closing balance	Other comprehensive income recognised during the period	Transfer of accumulated gains and losses from other comprehensive income to retained earnings for the period	Reasons for the transfer
Shandong Asset Management Co., Ltd.	19,288,686.01		-19,288,686.01		
Bank of Qingdao	498,288.78	497,449.91	-838.87		
Zibo Zichuan Beihai Rural Bank Co., Ltd.	4,500,000.00	4,500,000.00			
Tianjin LNG Co., Ltd., National Pipeline Group	47,237,850.00	47,237,850.00			
Total	71,524,824.79	52,235,299.91	-19,289,524.88		

## (12) Investment properties

## Investment properties measured at fair value

Item	Buildings and constructions
I. Opening balance	77,219,556.00
II. Movements during the period	-5,168,238.00
Changes in fair value	-5,168,238.00
III. Closing balance	72,051,318.00

Notes: The Company's buildings located at Haikou Road, Shi Nan District, Qingdao City is accounted for as investment property and the fair value of such asset is determined in accordance with the real estate appraisal report No. (2021) Qingheng Real Estate Appraisal 050 issued by Qingdao Hengyuande Real Estate Appraisal Co. Ltd.

## (13) Fixed assets

Categories	Closing balance	Opening balance
Fixed assets	1,801,878,467.58	1,591,110,884.15
Less: Provision for impairment	10,539,382.26	2,931,076.51
Total	1,791,339,085.32	1,588,179,807.64

## 1. Fixed assets

Item	Buildings and constructions	Machinery and equipment	Means of Transportation	Gas Transmission Facilities	Other	Total
I. Original carrying amount						
1. Opening balance	255,317,513.18	620,364,172.95	103,962,573.89	1,108,607,020.34	22,812,928.33	2,111,064,208.69
2. Increase during the period	10,542,414.11	15,554,003.30	1,832,701.66	284,275,053.93	1,689,148.07	313,893,321.07
(1) Acquisition	3,524,098.76	8,553,135.51	1,832,701.66	1,300,491.54	1,274,890.65	16,485,318.12
(2) Transfer from construction in progress	2,017,713.35	7,000,867.79		282,974,562.39	414,257.42	292,407,400.95
(3) Increase from business combination	5,000,602.00					5,000,602.00
3. Decrease during the period	2,256,360.45	2,023,217.71	9,456,098.67	1,570,217.13	4,674,295.26	19,980,189.22
(1) Disposal or retirement	2,256,360.45	2,023,217.71	9,456,098.67	1,570,217.13	4,674,295.26	19,980,189.22
4. Closing balance	263,603,566.84	633,894,958.54	96,339,176.88	1,391,311,857.14	19,827,781.14	2,404,977,340.54
II. Cumulative depreciation						
1. Opening balance	48,818,369.07	251,951,578.10	57,916,286.19	143,576,809.47	17,690,281.71	519,953,324.54
2. Increase during the period	9,879,367.38	27,563,685.10	9,718,050.00	45,659,728.57	2,681,174.72	95,502,005.77
(1) Provision	9,879,367.38	27,563,685.10	9,718,050.00	45,659,728.57	2,681,174.72	95,502,005.77
3. Decrease during the period	476,131.73	1,840,186.37	8,921,637.06	192,393.75	926,108.44	12,356,457.35
(1) Disposal or retirement	476,131.73	1,840,186.37	8,921,637.06	192,393.75	926,108.44	12,356,457.35
4. Closing balance	58,221,604.72	277,675,076.83	58,712,699.13	189,044,144.29	19,445,347.99	603,098,872.96
III. Provision for impairment						
1. Opening balance				2,931,076.51		2,931,076.51
2. Increase during the period	500,467.34	7,103,720.50			4,117.91	7,608,305.75
(1) Provision	500,467.34	7,103,720.50			4,117.91	7,608,305.75
3. Decrease during the period						
4. Closing balance	500,467.34	7,103,720.50		2,931,076.51	4,117.91	10,539,382.26
IV. Carrying amount						
1. Closing carrying amount	204,881,494.78	349,116,161.21	37,626,477.75	1,199,336,636.34	378,315.24	1,791,339,085.32
2. Opening carrying amount	206,499,144.11	368,412,594.85	46,046,287.70	962,099,134.36	5,122,646.62	1,588,179,807.64

## (14) Construction in progress (CIP)

## 1. CIP items

## (1) Basic information of CIP items

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Construction in progress (CIP)	181,308,652.01	2,485,135.48	178,823,516.53	215,260,087.13		215,260,087.13
Total	181,308,652.01	2,485,135.48	178,823,516.53	215,260,087.13		215,260,087.13

## (2) Significant changes in CIP Item

Item name	Opening figure	Increase during the period	Transferred to fixed assets	Other decreases	Closing figure	Accumulated amount of interest capitalised	Amount of interest capitalised for the period	Interest capitalization ratio (%)	Source of funds
Bazhou Shunda Pipeline Project	4,202,325.36	54,677,457.34	57,509,043.18		1,370,739.52				Self-financing and borrowing
Dongtai Gas Pipeline Project	33,513,731.68	14,788,445.63	41,930,186.58		6,371,990.73	3,410,686.95	1,670,500.00	5.42	Self-financing and borrowing
Anyang Beifang Pipeline Project	49,420,574.55	24,564,349.24	21,494,313.77		52,490,610.02	9,861,323.89	3,327,042.93	6.05	Self-financing and borrowing
Yinzhou Shengli Pipeline Project	16,508,781.79	18,978,074.15	27,651,280.72		7,835,575.22	544,379.92	544,379.92	5.74	Self-financing and borrowing
Zibo Luchuan Pipeline Project	25,336,601.57	25,330,763.93	16,966,001.49		33,701,364.01				Self-financing
Wenzhou Gangyao Pipeline Project	14,092,277.08	17,407,376.60	21,645,057.57		9,854,596.11				Self-financing
Chongqing Shengbang Pipeline Project	26,148,308.00	69,121,006.42	71,750,384.88		23,518,929.54				Self-financing
Total	169,222,600.03	224,867,473.31	258,946,268.19		135,143,805.15	13,816,390.76	5,541,922.85		

## (15) Intangible assets

Item	Land use rights	Software	Patented Technologies	Total
I. Original carrying amount				
1. Opening balance	125,048,533.31	7,789,370.49		132,837,903.80
2. Increase during the period	5,287,750.16	503,521.32	45,000.00	5,836,271.48
(1) Acquisition	5,287,750.16	503,521.32	45,000.00	5,836,271.48
3. Decrease during the period				
4. Closing balance	130,336,283.47	8,292,891.81	45,000.00	138,674,175.28
II. Accumulated amortisation				
1. Opening balance	14,346,418.06	5,021,219.82		19,367,637.88
2. Increase during the period	5,341,212.71	612,191.52	1,312.50	5,954,716.73
(1) Provision	5,341,212.71	612,191.52	1,312.50	5,954,716.73
3. Decrease during the period				
4. Closing balance	19,687,630.77	5,633,411.34	1,312.50	25,322,354.61
III. Provision for impairment				
1. Opening balance				
2. Increase during the period				
3. Decrease during the period				
4. Closing balance				
IV. Carrying amount				
1. Closing carrying amount	110,648,652.70	2,659,480.47	43,687.50	113,351,820.67
2. Opening carrying amount	110,702,115.25	2,768,150.67		113,470,265.92

## (16) Development expenses

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Internal development expenses	Other	Recognised in profit or loss for the period	Recognized as intangible assets	
Smart Gas Platform		598,041.27				598,041.27
Total		598,041.27				598,041.27

Item	Capitalisation Start Time	Specific criteria for capitalisation	Progress of R&D as at end of period
Smart Gas Platform	March 2020	Moving into the software development phase	Software development in progress



## (17) Goodwill

## 1. Original carrying value of goodwill

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
		From business combination	Disposal	
Dong'a Dongtai Gas Co., Ltd.	191,676,567.67			191,676,567.67
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	37,961,916.33			37,961,916.33
Yantai Runtong Energy Co., Ltd.	885,627.65			885,627.65
Ji'Nan Tianchen Energy Investment Co., Ltd.	701,558.75			701,558.75
Shandong Longyu Shengli Energy Co., Ltd.	5,961,571.56			5,961,571.56
Dong'e Sunshine Clean Energy Co., Ltd.	4,900,000.00			4,900,000.00
Puyang Boyuan Natural Gas Co., Ltd.	63,180,188.59			63,180,188.59
Shandong Qinglin Taifeng Trade Co., Ltd.	2,592,000.00			2,592,000.00
Bazhou Shengli Shunda Gas Co., Ltd.	95,681,106.01			95,681,106.01
Dalian Shengyi New Energy Development. Co., Ltd.	30,516,467.10			30,516,467.10
Zibo Lvchuan Gas Co., Ltd.	72,927,861.05			72,927,861.05
Anyang Beifang Shengli Gas Co., Ltd.	43,195,836.86			43,195,836.86
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	132,745,684.23			132,745,684.23
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	94,749,476.27			94,749,476.27
Chongqing Shengbang Gas Co., Ltd.	477,021,251.91			477,021,251.91
Weihai Shengli Huachang Gas Co., Ltd.	14,773,471.28			14,773,471.28
Puyang County Boyuan Natural Gas Co., Ltd.	69,548,160.04			69,548,160.04
Total	1,339,018,745.30			1,339,018,745.30

## 2. Provision for impairment of goodwill

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Shandong Longyu Shengli Energy Co., Ltd.	801,939.30			801,939.30
Yantai Runtong Energy Co., Ltd.	885,627.65			885,627.65
Dalian Shengyi New Energy Development. Co., Ltd.	30,516,467.10			30,516,467.10
Shandong Qinglin Taifeng Trade Co., Ltd.	2,592,000.00			2,592,000.00
Ji'Nan Tianchen Energy Investment Co., Ltd.	701,558.75			701,558.75
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	4,595,115.72	35,449,053.64		40,044,169.36
Chongqing Shengbang Gas Co., Ltd.	8,489,766.22			8,489,766.22
Dong'e Sunshine Clean Energy Co., Ltd.	4,900,000.00			4,900,000.00
Anyang Beifang Shengli Gas Co., Ltd.		8,828,441.70		8,828,441.70
Total	53,482,474.74	44,277,495.34		97,759,970.08

### 3. Significant goodwill impairment test results

The Company performed an impairment test on goodwill for each asset group as of 31 December, 2020 and the asset group is consistent with the asset group mix recognised at the date of acquisition, covering related operating assets such as fixed assets and intangible assets that comprise the asset group. The recoverable amount of the asset group is determined with reference to the "Asset Appraisal Report on the Recoverable Amount of the Asset Group of 12 Companies including Anyang Beifang Shengli Gas Co., Ltd. Involved in the Proposed Impairment Test of Goodwill for Financial Reporting Purpose by Shandong Shengli Co., Ltd." (Zhe Zhong Qi Hua Ping Bao Zi (2021) No. 0125) issued by Zhejiang China Enterprise Appraisal Consultation Co., Ltd.

#### (1) Key assumptions and rationale

(1) There are no significant changes in the relevant laws and regulations and policies in force, and the macroeconomic situation in China, and the political, economic and social environment of the region in which the appraised entity is located.

(2) There is no significant change in the interest rate, basis and rate of taxation and government charges.

(3) It is assumed that the management of the appraised entity is responsible, stable and capable of carrying out its duties after the valuation base date.

(4) It is assumed that the Company fully complies with all relevant laws and regulations.

(5) It is assumed that there are no other unpredictable and force majeure factors that would have a material impact on the operations of the appraised entity.

#### (2) Key parameters

The recoverable amount of each major asset group for which goodwill exists is determined based on the present value of the estimated future cash flows for each asset group, and the discount rate used by the Company in the current period is the pre-tax weighted average cost of capital for each asset group, and the cost of sale for each entity is determined based on the Company's operating budget data for the last five years (2021 to 2025), with revenue for 2026 and thereafter estimated on a perpetual basis at the 2025 level.

The main parameters of each asset group are as follows:

Company to which the asset group belongs	Forecast period	Stable period	Stable period growth rate	Profit margin	Discount rate (pre-tax weighted average cost of capital)
Anyang Beifang Shengli Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Bazhou Shengli Shunda Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Dong'a Dongtai Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Dong'a County Dongtai Compressed LNG Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Puyang Boyuan Natural Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Puyang County Boyuan Natural Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Shandong Longyu Shengli Energy Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others	13.92%

				for the forecast period	
Weihai Shengli Huachang Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%
Chongqing Shengbang Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	12.28%
Zibo Lvchuan Gas Co., Ltd.	2021 to 2025	2026 and thereafter	0	Based on revenues, costs and expenses among others for the forecast period	13.92%

Notes: For each company, the forecast cost of sale and expense is determined on a item-by-item basis based on the forecast data for each asset group for the last five years.

### (3) Goodwill impairment measurement process

Company to which the asset group belongs	The Company's shareholding (1)	Carrying amount of goodwill (2)	Recoverable amount (3)	Carrying amount of asset group assets (4)	Goodwill attributable to the company (5) = ((3)-(4)) times (1)	Goodwill impairment (6) = (2) - (5)
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	55.00%	128,150,568.51	269,996,357.12	334,449,181.92		35,449,053.64
Anyang Beifang Shengli Gas Co., Ltd.	60.00%	43,195,836.86	223,065,238.81	237,779,308.32		8,828,441.70
Bazhou Shengli Shunda Gas Co., Ltd.	51.00%	95,681,106.01	710,815,275.02	507,944,027.97	103,464,336.00	
Dong'a Dongtai Gas Co., Ltd.	100.00%	191,676,567.67	352,241,011.14	340,996,123.23	11,244,887.91	
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	100.00%	37,961,916.33	58,567,687.20	53,462,383.82	5,105,303.38	
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	100.00%	94,749,476.27	163,304,145.15	142,824,610.33	20,479,534.82	
Puyang Boyuan Natural Gas Co., Ltd.	51.00%	63,180,188.59	236,921,054.46	222,227,591.99	7,493,665.86	
Puyang County Boyuan Natural Gas Co., Ltd.	51.00%	69,548,160.04	191,927,162.57	182,826,548.12	4,641,313.37	
Shandong Longyu Shengli Energy Co., Ltd.	50.00%	5,159,632.26	36,729,940.52	35,662,329.99	533,805.27	
Weihai Shengli Huachang Gas Co., Ltd.	94.50%	14,773,471.28	59,206,980.99	53,871,348.10	5,042,173.09	
Chongqing Shengbang Gas Co., Ltd.	100.00%	468,531,485.69	803,243,215.67	790,069,136.39	13,174,079.28	
Zibo Lvchuan Gas Co., Ltd.	62.704%	72,927,861.05	326,330,115.84	273,820,225.90	32,925,801.39	

## (18) Long-term deferred expenses

Categories	Opening balance	Increase during the period	Amortisation for the period	Other decreases	Closing balance
Land lease payments and others	16,264,836.92	6,253,911.00	7,767,461.25		14,751,286.67
Total	16,264,836.92	6,253,911.00	7,767,461.25		14,751,286.67

## (19) Deferred income tax assets, deferred income tax liabilities

## 1. Deferred income tax assets and deferred income tax liabilities

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/taxable temporary differences	Deferred income tax assets/liabilities	Deductible/taxable temporary differences
Deferred income tax assets:				
Provision for asset impairment	46,158,975.14	216,299,914.27	56,728,775.59	255,200,314.42
Deductible losses	136,273,835.30	546,328,757.91	126,896,398.10	512,090,812.03
Unrealised profits from internal sale	6,384,960.51	25,539,842.02	3,854,197.44	15,416,789.76
Deferred revenue	1,105,001.14	5,514,012.96		
Subtotal	189,922,772.09	793,682,527.16	187,479,371.13	782,707,916.21
Deferred tax liabilities:				
Gains or losses from changes in the fair value of investment properties	9,004,927.10	36,019,708.38	10,296,986.60	41,187,946.40
One-off pre-tax deduction for depreciation of fixed assets	63,904,394.06	266,426,680.82	19,580,822.00	79,177,043.89
Appreciation appraised on assets acquired not under common control	8,001,575.91	31,988,337.55	10,378,873.52	41,515,494.08
Subtotal	80,910,897.07	334,434,726.75	40,256,682.12	161,880,484.37

## 2. Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Bad debt provision	9,511,923.61	9,671,831.33
Provision for impairment of fixed assets and construction in progress	13,024,517.74	2,931,076.51
Change in fair value of other equity instruments	35,492,885.28	16,204,199.27
Provision for impairment of long-term equity investments	30,387,267.77	25,868,518.27
Deductible losses	349,077,258.37	398,741,929.29
Total	437,493,852.77	453,417,554.67

## 3. The deductible losses on unrecognised deferred income tax assets that will expire in the following years

Year	Closing balance	Opening balance
Year 2020		105,732,124.04
Year 2021	67,149,543.19	67,149,543.19
Year 2022	62,076,108.50	62,076,108.50
Year 2023	84,878,999.08	84,878,999.08
Year 2024	78,905,154.48	78,905,154.48
Year 2025	56,067,453.12	
Total	349,077,258.37	398,741,929.29

## (20) Other non-current assets

Item	Closing balance	Opening balance
Prepayment for equipment and Payments for Construction	38,859,519.75	46,974,017.17
Investment		4,000,000.00
Total	38,859,519.75	50,974,017.17

## (21) Short-term borrowings

Borrowing terms	Closing balance	Opening balance
Pledged loan	243,193,023.38	75,000,000.00
Mortgage loan	6,000,000.00	45,000,000.00
Guaranteed loan	614,205,946.19	455,000,000.00
Credit loan	361,000,000.00	350,000,000.00
Interest on borrowings	2,265,953.91	1,639,462.15
Total	1,226,664,923.48	926,639,462.15

Note 1: For details of assets pledged or collateralised for borrowings, see V. (56) Assets with restricted ownership rights or right to use.

Note 2: There is no short-term loan overdue at the end of the period.

## (22) Notes payable

Item	Closing balance	Opening balance
Banker's acceptance bill	572,500,000.00	514,620,000.00
Commercial acceptance bill		35,000,000.00
Total	572,500,000.00	549,620,000.00

## (23) Accounts Payable

## (1) By Ageing

Item	Closing balance	Opening balance
Within 1 year (inclusive)	263,674,412.91	249,855,884.82
More than 1 years	103,867,330.29	108,228,329.72
Total	367,541,743.20	358,084,214.54

## (24) Contractual liabilities

Item	Closing balance	Opening balance
Within 1 year (inclusive)	531,296,815.24	583,344,176.75
More than 1 years	56,365,643.27	49,660,386.85
Total	587,662,458.51	633,004,563.60

## (25) Employee benefits payable

## 1. Classification of employee benefits payable

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term Benefits	59,013,693.30	215,335,147.37	228,823,954.56	45,524,886.11
II. Post-employment benefits - defined contribution plan	8,671.39	3,129,544.79	2,374,633.39	763,582.79
Total	59,022,364.69	218,464,692.16	231,198,587.95	46,288,468.90

## 2. Short-term Employee Benefits

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1、Wages, bonuses, allowances and subsidies	40,960,754.92	179,543,195.11	195,416,431.66	25,087,518.37
2、Staff Welfare Payments	152,551.84	10,209,093.12	10,361,644.96	
3、Social insurance premiums	1,662,087.53	8,054,891.12	7,206,444.30	2,510,534.35
Where: Medical insurance premiums	1,662,087.53	7,800,133.34	7,008,655.70	2,453,565.17
Worker's compensation insurance premiums		90,258.63	81,175.69	9,082.94
Maternity insurance premiums		164,499.15	116,612.91	47,886.24
4、Housing provident fund	10,050.20	8,538,739.10	8,546,610.10	2,179.20
5、Funding for trade unions and vocational education	16,228,248.81	8,153,894.09	6,457,488.71	17,924,654.19
6、Other short-term benefits		835,334.83	835,334.83	
Total	59,013,693.30	215,335,147.37	228,823,954.56	45,524,886.11

## 3. Defined benefit plan

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1、Basic pension insurance	1,943.20	3,065,624.93	2,305,327.20	762,240.93
2、Unemployment insurance premiums	6,728.19	63,919.86	69,306.19	1,341.86
Total	8,671.39	3,129,544.79	2,374,633.39	763,582.79

## (26) Taxes payable

Type of Taxes	Closing balance	Opening balance
VAT	9,642,615.16	7,968,474.63
Enterprise income tax	12,271,051.91	17,306,822.35
Urban maintenance and construction tax	833,888.38	685,778.08
Property tax	374,290.99	400,586.22
Land use tax	425,755.20	521,267.64
Personal income tax	754,721.85	2,033,731.55
Education surcharge	594,981.35	491,442.76
Water conservancy construction fund	31,068.13	39,522.74
Stamp duty	225,390.30	364,507.86
Other taxes	49,787.11	53,575.50
Total	25,203,550.38	29,865,709.33

## (27) Other payables

Categories	Closing balance	Opening balance
Dividend payable	4,666,416.46	7,303,533.44
Other payables	78,592,532.31	148,851,157.85
Total	83,258,948.77	156,154,691.29

## 1. Dividend payable

Item	Closing balance	Opening balance
Common stock dividends due from the parent company	1,497,902.15	1,497,902.15
Dividends payable to minority shareholders by Zibo Lvchuan Gas Co., Ltd.	3,168,514.31	5,805,631.29
Total	4,666,416.46	7,303,533.44

## 2. Other payables

Nature of amount	Closing balance	Opening balance
Security deposit	15,343,603.54	38,493,267.77
Amounts withheld but not paid		1,122,366.84
Amount payable to purchase stock options	16,980,300.00	61,603,112.52
Other	46,268,628.77	47,632,410.72
Total	78,592,532.31	148,851,157.85

## (28) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Amount payable to purchase stock options	133,250,000.00	73,450,000.00
Borrowings from the Bank of Dongying	1,000,000.00	1,000,000.00
Borrowings from Bank of Qi Lu	5,000,000.00	48,500,000.00
Finance Lease payments due to CSC Financial	26,666,666.68	26,666,666.67
Borrowings from ICBC	49,910,000.00	41,160,000.00
Borrowings from Bank of Hebei Pozhou Sub-branch	6,000,000.00	48,000,000.00
Proceedings from Preference shares issued to Shaanxi Financial Holding Group Co., Ltd.	2,000,000.00	2,000,000.00
Borrowings from Hengfeng Bank	10,000,000.00	
Borrowings from China Merchants Bank	3,000,000.00	
Borrowings from Kunlun Bank	2,000,000.00	
Borrowings from Guangxi Rural Credit Union	1,000,000.00	
Long-term borrowings with payments of interest thereon in instalments and the repayment of the principal upon maturity	1,471,503.20	707,767.71
Interest payable on finance leases	681,777.78	1,118,000.00
Total	241,979,947.66	242,602,434.38

## (29) Other current liabilities

Item	Closing balance	Opening balance
Sales tax to be carried forward	50,963,005.52	56,375,385.56
Total	50,963,005.52	56,375,385.56

## (30) Long-term borrowings

Borrowing terms	Closing balance	Opening balance
Guaranteed loan	238,242,500.00	161,840,000.00
Mortgage loan	123,500,000.00	18,500,000.00
Pledged loan	40,000,000.00	
Total	401,742,500.00	180,340,000.00

## (31) Long-term payables

Nature of amount	Closing balance	Opening balance
Borrowings from connected parties	60,000,000.00	60,000,000.00
Finance lease payments payable		26,666,666.67
Equity transfer payments payable	88,450,000.00	261,900,000.00
Total	148,450,000.00	348,566,666.67



## (32) Deferred revenue

## 1. Deferred revenue presented by category

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reasons of formation
Government grants	16,788,712.04	1,942,800.00	809,860.19	17,921,651.85	Asset-related government grants received
Total	16,788,712.04	1,942,800.00	809,860.19	17,921,651.85	

## 2. Government Grant Status

Item	Opening balance	Amount of new grants for the period	Amount recognised in other income for the period	Closing balance	Assets-related/Revenue-related
Municipal Energy Saving Funds	402,083.33		25,000.00	377,083.33	Assets-related
National Energy Conservation and Emission Reduction Comprehensive Demonstration City Award and Subsidy Fund	8,041,666.67		500,000.00	7,541,666.67	Assets-related
Incentive payments for fixed asset investment projects	2,942,462.04		163,470.12	2,778,991.92	Assets-related
Funds for 15,000 tonnes polyethylene pipe production line technical reform project	902,500.00		47,500.00	855,000.00	Assets-related
Dong'a County Clean Heating Village by Village Natural Gas Supply Supporting Facilities Special Funds	2,000,000.00		11,111.11	1,988,888.89	Assets-related
State subsidies for central infrastructure investment budget target (Note 1)	2,500,000.00			2,500,000.00	Assets-related
Special fundi for the new PE material pipe project		1,942,800.00	62,778.96	1,880,021.04	Assets-related
Total	16,788,712.04	1,942,800.00	809,860.19	17,921,651.85	

Note 1: In March 2019, Zibo Lvchuan Gas Co., Ltd. received from the Finance Bureau of Zichuan District a state subsidy of RMB2,500,000.00 for the construction of Lingzi LNG emergency gas storage station, which has not yet been completed. The Company expects to recognise the project-specific grant based on the overall useful life of the underlying assets and no other income was recognised this year.

For other details of government grants, please refer to the Note V. (45) Other income.

## (33) Share capital

Item	Opening balance	Change during this period (+, -)					Closing balance
		Issue of New Shares	Stock dividends	Reserve fund transferred to share capital	Other	Subtotal	
Total number of shares	880,084,656.00						880,084,656.00

## (34) Capital reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Capital premium (Note 1)	1,011,281,432.00	5,000,602.00	65,898,941.90	950,383,092.10
II. Other capital reserve (Note 2)	1,717,859.05	678,900.01		2,396,759.06
Total	1,012,999,291.05	5,679,502.01	65,898,941.90	952,779,851.16

Note 1: The effect of the Company's acquisition of minority interests, among others, on capital surplus - capital premium: RMB60,898,339.90.

Note 2: The effect on the capital surplus - other capital surplus of the Company due to the change in special reserves of investee companies: RMB678,900.01.

## (35) Other comprehensive income

Item	Opening balance	This Period						Closing balance
		Amount before income tax for the current period	Less: Recorded in other comprehensive income in previous period but transferred to profit and loss for this period	Less: Recorded in other comprehensive income in previous period but transferred to retained earnings for this period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that will not be reclassified to profit or loss	335,580.78	-19,289,524.88				-19,289,524.88		-18,953,944.10
Other equity instrument investments - Changes in fair value	335,580.78	-19,289,524.88				-19,289,524.88		-18,953,944.10
Total other comprehensive income	335,580.78	-19,289,524.88				-19,289,524.88		-18,953,944.10

## (36) Special Reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safe Production Fee	11,057,440.09	21,916,681.32	18,236,681.84	14,737,439.57
Total	11,057,440.09	21,916,681.32	18,236,681.84	14,737,439.57

## (37) Surplus reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	139,602,186.68	12,006,185.25		151,608,371.93
Any surplus reserves	371,490.70			371,490.70
Total	139,973,677.38	12,006,185.25		151,979,862.63

## (38) Retained earnings

Item	Closing balance	
	Amount	Percentage of appropriation or distribution
Retained earnings of the previous year before adjustment	377,569,059.69	
Adjustments to total retained earnings at the beginning of the period (increase +, decrease -)		
Retained earnings at the beginning of the period after adjustment	377,569,059.69	
Add: Net profit attributable to the owners of parent company this period	142,314,776.28	
Less: Appropriation to statutory surplus reserves	12,006,185.25	10% of net profit of the parent company
Common stock dividends payable	30,802,953.74	
Retained earnings at the end of the year	477,074,696.98	

## (39) Operating income and operating cost

## 1. Operating income and operating costs by segment

Item	This Period		Previous period	
	Revenue	Cost	Revenue	Cost
I. Principal businesses	4,593,834,309.45	3,817,699,196.98	5,344,468,069.48	4,540,599,582.84
Sale of gas for automotive	1,085,431,369.24	1,013,877,732.13	1,378,395,791.88	1,296,434,939.67
Sale of piped gas	2,451,943,654.11	1,863,432,462.22	2,267,432,207.01	1,704,498,000.53
Equipment material manufacturing	1,047,392,884.39	933,552,747.96	923,542,139.81	788,335,532.34
Merchandise trading and other businesses	9,066,401.71	6,836,254.67	775,097,930.78	751,331,110.30
II. Other businesses	2,526,553.36	488,551.94	3,815,333.90	1,912,201.01
Total	4,596,360,862.81	3,818,187,748.92	5,348,283,403.38	4,542,511,783.85

## 2. Operating income for the period by the timing of recognition

Revenue Recognition Time	Sale of gas for automotive	Sale of piped gas	Equipment material manufacturing	Merchandise trading and other businesses	Other operating income
recognised at a point in time	1,085,431,369.24	2,451,943,654.11	1,047,392,884.39	9,066,401.71	2,281,738.37
Total	1,085,431,369.24	2,451,943,654.11	1,047,392,884.39	9,066,401.71	2,281,738.37

Notes: The difference between operating income and revenue recognised in accordance with the point in time is RMB 244,814.99, representing lease income recognised in accordance with other standards.

## (40) Tax and Surcharges

Item	This Period	Previous period
Urban maintenance and construction tax	3,605,105.05	3,982,821.93
Education surcharge	2,766,200.46	3,037,948.51
Property tax	1,719,572.99	1,721,943.40
Land use tax	2,533,692.59	3,073,738.70
Stamp duty	2,176,024.01	2,105,066.67
Vehicle tax	129,427.11	202,622.32
Water conservancy construction fund	129,518.51	139,963.63
Other	363,283.47	267,852.23
Total	13,422,824.19	14,531,957.39

## (41) Cost of Sales

Item	This Period	Previous period
Employee Benefits	90,620,626.67	91,999,410.49
Transportation costs		53,316,597.40
Depreciation expenses	59,302,747.31	51,794,093.71
Safe Production Fee	28,170,304.04	33,656,760.32
Rental payment	15,819,720.14	17,090,761.53
Consulting fees		13,231,593.44
Entertainment expenses	7,758,683.98	7,434,081.47
Advertising fees	2,876,167.70	4,880,806.31
Travel expenses	1,354,119.41	1,888,316.36
Other	19,599,248.65	23,829,617.36
Total	225,501,617.90	299,122,038.39

## (42) Administrative expenses

Item	This Period	Previous period
Employee Benefits	75,445,811.21	84,886,328.85
Entertainment expenses	10,757,935.70	11,412,869.88
Depreciation expenses	8,156,950.68	8,353,898.48
Intangible asset amortisation	5,361,337.73	2,290,457.34
Rental payment	2,438,107.60	4,395,921.30
Consulting fees	1,474,969.98	5,604,802.14
Travel expenses	1,349,229.19	2,017,092.48
Fuel cost	2,255,195.20	2,658,137.71
Repairing expenses	1,751,634.10	1,833,903.90
Freight and miscellaneous charges	1,216,551.26	1,260,414.68
Property management fees	740,566.24	957,413.73
Other	25,169,880.54	22,857,545.47
Total	136,118,169.43	148,528,785.96

## (43) R&amp;D expenses

Item	This Period	Previous period
Material costs	19,442,006.52	13,721,748.84
Employee Benefits	7,702,198.35	4,217,961.96
Depreciation expenses	894,170.61	455,211.19
Other	97,564.27	884,635.42
Total	28,135,939.75	19,279,557.41

## (44) Financial expenses

Item	This Period	Previous period
Interest expenses	107,245,888.47	100,623,924.62
Less: Interest income	23,443,107.39	25,737,481.90
Exchange losses	1,419.57	-316.76
Handling fee expenses	3,347,118.09	3,299,571.00
Total	87,151,318.74	78,185,696.96

## (45) Other income

Categories	This Period	Previous period
Municipal Energy Saving Funds (Note 1)	25,000.00	25,000.00
National Energy Saving and Emission Reduction Grants (Note 2)	500,000.00	500,000.00
Incentive payments for fixed asset investment projects (Note 3)	163,470.12	163,470.11
Funds for a 15,000 tonne polyethylene pipe production line technical reform project(Note 4)	47,500.00	47,500.00
Special fundi for the new PE material pipe project (Note 5)	62,778.96	
Dong'a County Clean Heating Village by Village Natural Gas Supply Supporting Facilities Special Funds (Note 6)	11,111.11	
Annual subsidy for plant rental (Note 7)	4,047,863.96	3,200,000.00
Rebate for Personal Income Tax Collection Handling	104,385.92	247,635.11
Employment Support Scheme	2,007,629.81	
Tax relief	321,828.00	
Tax subsidy	219,300.00	
Other	900,839.67	
Total	8,411,707.55	4,183,605.22

Note 1: Dong'a Yangguang Clean Energy Co., Ltd., a subsidiary of the Company, received a special municipal energy conservation grant of RMB500,000.00 from Dong'a County Finance Bureau in December 2015, which was specifically used for the construction of the Company's coke gasification project, which was officially put into production in February 2016, and the Company recognised the project-specific subsidy fund in 20 years from February 2016 in accordance with the overall useful life of the relevant assets. Thus, other income of RMB25,000.00 was recognised during the year.

Note 2: Dong'a Yangguang Clean Energy Co., Ltd., a subsidiary of the Company, received a national energy saving and emission reduction subsidy fund of RMB10,000,000.00 from the Dong'a County Finance Bureau in 2016, which was specifically used for the construction of the Company's coke gasification project, which was formally put into production in February 2016, and the Company recognised the project specific subsidy fund in 20 years from February 2016 in accordance with the overall useful life of the relevant assets. Thus, the Company recognised other income of RMB500,000.00 for the year.

Note 3: In accordance with the Investment Agreement for the 50,000-ton per annum polyethylene pipe production base project entered into between Shandong Shengbang Pipeline Technology Co., Ltd. and the Management Committee of Dongying Economic and Technological Development Zone, the Company received an incentive payment of RMB3,269,402.27 from the Finance Bureau of Dongying Economic and

Technological Development Zone for the fixed asset investment project in 2018, which was used for the purchase of fixed assets for the production of 50,000 tonnes of polyethylene pipes. The Company recognised other income of RMB163,470.12 in the current year based on the overall useful life of the relevant assets under the project grant funds, which is recognised over 20 years starting from January 2018.

Note 4: Chongqing Shengbang Pipeline Co., Ltd., a subsidiary, received a special fund of RMB950,000.00 in 2019 for the 15,000-ton polyethylene pipe production line technical reform project, which was earmarked for the 15,000-ton polyethylene pipe production line technical reform project. The Company recognises the project-specific grant over 20 years from January 2019 based on the overall useful life of the underlying assets. Thus, the Company recognised other income of RMB47,500.00 this year.

Note 5: According to the "Agreement on Investment in and Construction of New PE Material Pipeline Project" entered into between Chongqing Shengbang Pipeline Co., Ltd and the People's Government of Dazu District, Chongqing, the Company received special funds of RMB1,942,800.00 in total as equipment subsidies in January and August 2020, which were for subsidies for the purchase of new equipment. The Company recognises the project-specific grant over 20 years from 2020 based on the overall useful life of the underlying assets. Thus, the Company recognised other income of RMB62,778.96 this year.

Note 6: Dong'a County Dongtai Gas Co., Ltd., a subsidiary of the Company, received a state subsidy of RMB2,000,000.00 in February 2019 for the construction of supporting facilities for the supply of natural gas to villages for clean heating in Dong'a County, which was completed in the current period. The Company recognises the project-specific grant over 15 years from November 2020 based on the overall useful life of the underlying assets. Thus, the Company recognised other income of RMB11,111.11 this year.

Note 7: In accordance with the Notice of Dongying Economic and Technological Development Zone Management Committee on the Delivery of Invest in Dongying Support Fund of Dongying Donghui Investment Promotion Co., Ltd., Shandong Shengbang Plastics Co., Ltd, a subsidiary of the Company, received a subsidy for factory rentals and other in 2020, and the Company recognised other income of RMB4,047,863.96 for the year.

## (46) Investment income

Categories	This Period	Previous period
Income from long-term equity investment accounted for under the equity method	28,219,296.81	56,507,733.15
Investment income arising from disposal of long-term equity investment		1,760,952.71
Total	28,219,296.81	58,268,685.86

## (47) Income from changes in fair value

Sources of income from changes in fair value	This Period	Previous period
Investment properties measured at fair value	-5,168,238.00	-5,168,238.00
Change in fair value of equity (Note)	40,200,000.00	281,910.92
Total	35,031,762.00	-4,886,327.08

Notes: For details of changes in fair value of the Company's equity transfer, please refer to "XI. (2) Post-period adjustments".

## (48) Credit impairment losses

Item	This Period	Previous period
Credit impairment loss on accounts receivable	-3,099,816.73	-3,708,326.44
Credit impairment loss on other receivables	-262,474.22	4,186,934.14
Total	-3,362,290.95	478,607.70

## (49) Asset impairment loss

Item	This Period	Previous period
Impairment losses on goodwill	-44,277,495.34	-12,648,347.56
Provision for impairment of fixed assets	-7,608,305.75	
Provision for impairment of construction in progress	-2,485,135.48	
Provision for impairment of long-term equity investments	-4,518,749.50	
Provision for contractual asset impairment	-7,514.98	
Loss on inventory write-down		-6,057,350.24
Total	-58,897,201.05	-18,705,697.80

## (50) Gains on Disposal of Assets

Categories	This Period	Previous period
Gains or losses on disposal of non-current assets	7,269,121.20	718,169.60
Total	7,269,121.20	718,169.60

## (51) Non-operating income

## 1. Non-operating income is presented separately

Item	This Period	Previous period	Amount included in non-recurring profit or loss for the period
Government grants	361,000.00	2,271,508.81	361,000.00
Other	3,151,401.35	2,629,497.36	3,151,401.35
Total	3,512,401.35	4,901,006.17	3,512,401.35

## 2. Government grants recognised in profit or loss for the period

Item	This Period	Previous period	Assets-related/Revenue-related
Government awards	361,000.00	2,050,000.00	Revenue-related
Government grants		221,508.81	Revenue-related
Total	361,000.00	2,271,508.81	

## (52) Non-operating expenses

Item	This Period	Previous period	Amount included in non-recurring profit or loss for the period
Loss on decommissioning and retirement of non-current assets	6,815,274.40	941,949.92	6,815,274.40
Fine expenses	964,581.24	463,583.21	964,581.24
Outbound donations	765,083.00	42,500.00	765,083.00
Other	1,929,936.12	1,551,345.46	1,929,936.12
Total	10,474,874.76	2,999,378.59	10,474,874.76

## (53) Income tax expenses

## 1. Breakdown of income tax expenses

Item	This Period	Previous period
Current income tax calculated in accordance with the tax law and related regulations	43,706,116.92	60,898,524.35
Deferred income tax expenses	38,210,813.98	23,229,854.47
Total	81,916,930.90	84,128,378.82

## 3. Profit and income tax expense adjustment process for accounting purpose

Item	Amount
Total profit	297,553,166.03
Income tax expense at statutory/applicable rates	74,388,291.51
Effect of different tax rates applicable to subsidiaries	-16,281,608.42
Effect of adjustment to prior period income tax	-975,197.92
Effect of non-taxable income	-7,334,175.86
Effect of non-deductible costs, expenses and losses	18,644,345.15
Effect of utilisation of deductible losses on deferred income tax assets not recognised in prior periods	-3,089,123.22
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the period	19,183,947.85
Effect of deduction of aggregate R&D expenses	-2,619,548.19
Income tax expenses	81,916,930.90

## (54) Cash flow statement

## 1. Other cash received or paid related to operating activities

Item	This Period	Previous period
Other cash received relating to operating activities	30,365,582.19	35,356,062.60
Where: Interest received	17,308,533.48	22,715,395.30
Government grants received	9,905,647.36	10,867,250.42
Other	3,151,401.35	1,773,416.88
Other cash paid relating to operating activities	145,917,190.17	227,635,117.35
Where: Cash expenses in administrative expenses and R&D expenses	52,902,343.74	60,852,168.20
Cash expenses in operating expenses	68,990,755.53	151,086,621.85
Other	24,024,090.90	15,696,327.30

## 2. Other cash received and paid relating to investing activities

Item	This Period	Previous period
Other cash received relating to investing activities	13,272,113.35	10,000,000.00
Where: Recovery of the Loan to Lvye Chemicals	10,000,000.00	10,000,000.00
Recovery of principal and interest on loan to connected parties	3,272,113.35	
Other cash paid relating to investing activities	10,000,000.00	2,000,000.00
Term deposits and structured deposits	10,000,000.00	
Other		2,000,000.00



## 3. Other cash received and paid relating to financing activities

Item	This Period	Previous period
Other cash received relating to financing activities	30,000,000.00	
Where: Interest-free loan received from Shandong Shengli Investment Co., Ltd., a shareholder, to the listed company	30,000,000.00	
Other cash paid relating to financing activities	220,433,929.07	22,500,000.00
Where: Repayment of interest-free loan from Shandong Shengli Investment Co., Ltd. to the listed company	30,000,000.00	
Financing-related deposits and time deposits paid	165,747,018.12	22,500,000.00
Payment of loans and interest to individual shareholders of Puyang Boyuan	14,686,910.95	
Wealth management fund with bank pledged for borrowings	10,000,000.00	

## (55) Supplementary information to the cash flow statement

## 1. Supplementary information to cash flow statement

Item	This Period	Previous period
1、Adjustment of net profit to cash flows from operating activities		
Net profit	215,636,235.13	203,953,875.68
Add: Asset impairment loss	58,897,201.05	18,705,697.80
Credit impairment losses	3,362,290.95	-478,607.70
Fixed asset depreciation, oil and gas asset depreciation and productive biological asset depreciation	95,502,005.77	89,573,931.13
Intangible asset amortisation	5,954,716.73	3,571,267.40
Amortization of long-term deferred expenses	7,767,461.25	10,844,970.17
Loss on disposal of fixed assets, intangible assets and other long-term assets (with gains denoted by a "-")	-7,269,121.20	-718,169.60
Loss on retirement of fixed assets (with gains denoted by "-")	6,815,274.40	941,949.92
Loss on changes in fair value (with gains denoted by "-")	-35,031,762.00	4,886,327.08
Financial expenses (with gains denoted by a "-")	101,111,314.56	100,623,924.62
Investment losses (with gains denoted by a "-")	-28,219,296.81	-58,268,685.86
Decrease in deferred income tax assets (with increase denoted by a "-")	-2,443,400.96	2,228,959.00
Increase in deferred income tax liabilities (with decrease denoted by a "-")	40,654,214.95	21,000,895.47
Decrease in inventories (with increase denoted by a "-")	6,199,115.82	27,640,574.64
Decrease in operating receivables (with increase denoted by a "-")	-17,388,042.62	-167,157,152.64
Increase in operating payables (with decrease denoted by a "-")	-1,767,670.39	333,447,906.92
Other		
Net cash flows from operating activities	449,780,536.63	590,797,664.03
2、Significant investment and financing activities that do not involve cash flow		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets leased-in under Finance Lease		
3、Net changes in cash and cash equivalents		

Closing cash balance	452,776,929.69	548,012,544.63
Less: Opening cash balance	548,012,544.63	551,938,236.45
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-95,235,614.94	-3,925,691.82

## 2. Net cash paid during the year for acquisition of a subsidiary

Item	Amount
cash or cash equivalents paid during the period for business combination in previous periods	118,072,812.52
Where: Chongqing Shengbang Gas Co., Ltd.	73,450,000.00
Puyang Boyuan Natural Gas Co., Ltd.	44,622,812.52
Net cash paid for acquisition of subsidiaries	118,072,812.52

## 3. Net cash received during the period from disposal of subsidiaries

Item	Amount
Cash or cash equivalents received in the period in relation to subsidiaries disposed of in a prior period	1,810,000.00
Where: Laiwu Nengquan Petroleum Sales Co., Ltd.	960,000.00
Zibo Lihuasheng Natural Gas Utilities Co., Ltd.	850,000.00
Net cash received on disposal of subsidiaries	1,810,000.00

## 4. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	452,776,929.69	548,012,544.63
Where: Cash in stock	365,518.48	445,507.03
Bank deposits readily available for payment	452,411,411.21	365,619,537.60
Other monetary funds readily available for payment		181,947,500.00
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	452,776,929.69	548,012,544.63

## (56) Assets with restricted ownership or right to use

Item	Amount	Reason for restriction on ownership or right to use
I. Assets used as collateral	Net value at end of period	
Buildings and land	181,001,740.50	Assets used as collateral for borrowings
Subtotal	181,001,740.50	
II. Assets used for pledge	Closing amount	
Shareholding in the Company	1,138,713,917.94	Assets pledged for borrowings
Subtotal	1,138,713,917.94	
III. Assets with restricted ownership rights due to other reasons	Closing amount	
Acceptance Draft Security Deposit	280,532,309.26	Security deposit

Letter of Credit Security Deposit	17,943,118.01	Security deposit
Time Deposit Certificate and Interest	141,778,506.85	Pledged and not readily available for withdrawal
payments via POS, WeChat, Alipay and other third party platforms	2,116,404.38	Cannot be withdrawn for use on the same day
Subtotal	442,370,338.50	
Total	1,762,085,996.94	

## VII. Changes to the scope of consolidation

### (1) Other reasons for change in scope of consolidation

The Company cancelled its sub-subsidiary, Weihai Runli Energy Co., Ltd, in August 2020.

In 2020, the Company newly established Zibo Lvchuan Ruyi Gas Safety Technology Co., Ltd., Wenzhou Shengyang Smart Technology Co., Ltd., Chongqing Libang Construction Labor Service Co., Ltd., Dong'a County Ruitai Trade Co., Ltd., Puyang Boyuan Energy Technology Co., Ltd., Puyang Shengli Clean Energy Co., Ltd. and Anyang Beisheng New Energy Development Co., Ltd.

## VIII. Interests in other entities

### (1) Interests in Subsidiaries

#### 1. Composition of the Group

Subsidiary Name	Registration place	Main place of operation	Nature of business	Shareholding (%)	Means of acquisition
Shaanxi Huashan Shengbang Plastic Co., Ltd.	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Manufacturing	51.00	Incorporation
Qingdao Shengli Petrochemical Products Sales Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Trade	94.00	Incorporation
Shandong Shengbang Plastic Co., Ltd.	Dongying City, Shandong Province	Dongying City, Shandong Province	Manufacturing	80.00	Incorporation
Shandong Shengbang Pipeline Technology Co., Ltd.	Dongying City, Shandong Province	Dongying City, Shandong Province	Manufacturing	80.00	Incorporation
Chongqing Shengbang Pipeline Co., Ltd.	Chongqing	Chongqing	Manufacturing	80.00	Incorporation
Shandong Shengli Import & Export Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Trade	100.00	Incorporation
Qingdao Shengli Meijiuhui Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Catering	100.00	Incorporation
Shandong Lihuasheng Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	Qinzhou City, Guangxi Province	Qinzhou City, Guangxi Province	Natural Gas	81.00	Incorporation
Shandong Huasheng Energy Co., Ltd.	Yanzhou City, Shandong Province	Yanzhou City, Shandong Province	Natural Gas	60.00	Incorporation
Shandong Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Dezhou Shengli Luban Energy Co., Ltd.	Dezhou, Shandong Province	Dezhou, Shandong Province	Natural Gas	80.00	Incorporation
Ji'Nan Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	50.00	Incorporation
Heze Shengli Natural Gas Co., Ltd.	Heze City, Shandong Province	Heze City, Shandong Province	Natural Gas	100.00	Incorporation
Rizhao Natural Gas Co., Ltd.	Rizhao City, Shandong Province	Rizhao City, Shandong Province	Natural Gas	100.00	Incorporation
Dezhou Shengli Natural Gas Co., Ltd.	Dezhou, Shandong Province	Dezhou, Shandong Province	Natural Gas	100.00	Incorporation

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Linyi Shengli Energy Co., Ltd.	Linyi City, Shandong Province	Linyi City, Shandong Province	Natural Gas	76.00	Incorporation
Taian Shengli Energy Co., Ltd.	Tai'an City, Shandong Province	Tai'an City, Shandong Province	Natural Gas	51.00	Incorporation
Weifang Shengli Natural Gas Co., Ltd.	Weifang City, Shandong Province	Weifang City, Shandong Province	Natural Gas	100.00	Incorporation
Binzhou Shengli Natural Gas Co., Ltd.	Binzhou, Shandong	Binzhou, Shandong	Natural Gas	100.00	Incorporation
Qingdao Longyu Shengli Energy Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	50.00	Incorporation
Heze Shenghong Gas Co., Ltd.	Heze City, Shandong Province	Heze City, Shandong Province	Natural Gas	90.00	Incorporation
Shandong Lihuasheng Transportation Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Transportation	100.00	Incorporation
Qingdao Hengchang Trade. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Trade	100.00	Incorporation
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Real Estate Properties	100.00	Combination not under common control
JiNan Tianchen Energy Investment Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Combination not under common control
Yantai Runtong Energy Co., Ltd.	Yantai City, Shandong Province	Yantai City, Shandong Province	Natural Gas	100.00	Combination not under common control
Shandong Longyu Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	50.00	Combination not under common control
Dong'a Dongtai Gas Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Combination not under common control
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Combination not under common control
Dong'e Sunshine Clean Energy Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Manufacturing	51.00	Combination not under common control
Qingdao Runhao Natural Gas Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	100.00	Combination under common control
Puyang Boyuan Natural Gas Co., Ltd.	Qingfeng County, Henan Province	Qingfeng County, Henan Province	Natural Gas	51.00	Combination not under common control
Shandong Qinglin Taifeng Trade Co., Ltd.	Liaocheng City, Shandong Province	Liaocheng City, Shandong Province	Natural Gas	60.00	Combination not under common control
Bazhou Shengli Shunda Gas Co., Ltd.	Bazhou, Hebei Province	Bazhou, Hebei Province	Natural Gas	51.00	Combination not under common control
Dalian Shengyi New Energy Development. Co., Ltd.	Dalian City, Liaoning Province	Dalian City, Liaoning Province	Natural Gas	100.00	Combination not under common control
Zibo Lvchuan Gas Co., Ltd.	Zibo City, Shandong Province	Zibo City, Shandong Province	Natural Gas	62.704	Combination not under common control
Anyang Beifang Shengli Gas Co., Ltd.	Anyang City, Henan Province	Anyang City, Henan Province	Natural Gas	60.00	Combination not under common control
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	Wenzhou, Zhejiang Province	Wenzhou, Zhejiang Province	Natural Gas	55.00	Combination not under common control
Tianjin Hengrongda Technology Co., Ltd.	Tianjin City	Tianjin City	Natural Gas	95.00	Combination not under common control
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Natural Gas	100.00	Combination not under common control
Pengze County Natural Gas Co., Ltd.	Jiujiang City, Jiangxi Province	Jiujiang City, Jiangxi Province	Natural Gas	85.00	Combination not under common control
Chongqing Shengbang Gas Co., Ltd.	Dazu District, Chongqing City	Dazu District, Chongqing City	Natural Gas	100.00	Combination not under common control
Weihai Shengli Huachang Gas Co., Ltd.	Weihai City, Shandong Province	Weihai City, Shandong Province	Natural Gas	94.50	Combination not under common control
Puyang County Boyuan Natural Gas Co., Ltd.	Puyang County, Henan Province	Puyang County, Henan Province	Natural Gas	51.00	Combination not under common control
Wenzhou Shengyang Smart Technology Co., Ltd.	Wenzhou, Zhejiang	Wenzhou, Zhejiang	Natural Gas	55.00	Incorporation

	Province	Province			
Bazhou Shengshun Gas Sales Co., Ltd.	Bazhou, Hebei Province	Bazhou, Hebei Province	Natural Gas	51.00	Incorporation
Chongqing Libang Construction Labor Service Co., Ltd.	Dazu District, Chongqing City	Dazu District, Chongqing City	Natural Gas	100.00	Incorporation
Chongqing Zhongbang Gas Equipment Co., Ltd.	Dazu District, Chongqing City	Dazu District, Chongqing City	Natural Gas	100.00	Incorporation
Dong'a County Ruitai Trade Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Incorporation
Anyang Beisheng New Energy Development Co., Ltd.	Anyang City, Henan Province	Anyang City, Henan Province	Natural Gas	60.00	Incorporation
Puyang Boyuan Energy Technology Co., Ltd.	Qingfeng County, Henan Province	Qingfeng County, Henan Province	Natural Gas	51.00	Incorporation
Zibo Lvchuan Ruyi Gas Safety Technology Co., Ltd.	Zibo City, Shandong Province	Zibo City, Shandong Province	Natural Gas	62.704	Incorporation
Puyang Shengli Clean Energy Co., Ltd.	Puyang County, Henan Province	Puyang County, Henan Province	Natural Gas	60.00	Incorporation

## 2. Information on significant non-wholly-owned subsidiary

SN	Company name	Shareholding of minority shareholders (%)	Profit or loss for the period attributable to minority shareholders	Dividends paid to minority shareholders during the period	Cumulative minority interest at the end of the year
1	Shandong Shengbang Plastic Co., Ltd.	20.00	7,768,857.32	1,384,359.14	41,115,269.17
2	Shandong Huasheng Energy Co., Ltd.	40.00	-9,846,112.75		-464,819.78
3	Puyang Boyuan Natural Gas Co., Ltd.	49.00	11,950,147.11	9,676,491.53	45,359,957.00
4	Bazhou Shengli Shunda Gas Co., Ltd.	49.00	33,140,318.28	24,500,000.00	118,058,985.72
5	Zibo Lvchuan Gas Co., Ltd.	37.296	11,453,899.86	5,908,636.67	51,456,018.37
	Total	—	54,467,109.82	41,469,487.34	255,525,410.48

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### 3. Key financial information on significant non-wholly owned subsidiaries

Subsidiary Name	Closing balance					Opening balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities
Shandong Shengbang Plastic Co., Ltd.	506,516,321.02	97,174,863.79	603,691,184.81	344,600,825.98	398,114,838.94	496,120,531.03	106,759,604.10	602,880,135.13	376,381,318.16	429,226,280.20
Shandong Huasheng Energy Co., Ltd.	14,983,975.14	172,995,732.87	187,979,708.01	189,141,757.47	189,141,757.47	24,906,782.67	181,412,833.02	206,319,615.69	185,398,621.03	185,398,621.03
Puyang Boyuan Natural Gas Co., Ltd.	74,879,331.22	103,094,329.30	177,973,660.52	82,436,627.88	85,402,319.71	123,246,186.89	98,844,397.02	222,090,583.91	132,652,911.27	134,035,047.42
Bazhou Shengli Shunda Gas Co., Ltd.	367,560,500.31	326,259,234.81	693,819,735.12	379,735,722.65	452,883,029.56	363,575,564.04	288,459,901.10	652,035,465.14	423,275,514.73	428,672,153.90
Zibo Lvchuan Gas Co., Ltd.	134,937,850.46	166,109,389.18	301,047,239.64	146,412,800.48	163,080,652.42	123,101,801.14	140,568,937.78	263,670,738.92	131,040,852.29	143,376,813.91
Total	1,098,877,978.15	865,633,549.95	1,964,511,528.10	1,142,327,734.46	1,288,622,598.10	1,130,950,865.77	816,045,673.02	1,946,996,538.79	1,248,749,217.48	1,320,708,916.46

Subsidiary Name	This Period			Previous period		
	Operating Income	Net profit	Total comprehensive income	Operating Income	Net profit	Total comprehensive income
Shandong Shengbang Plastic Co., Ltd.	625,596,633.27	38,844,286.61	38,844,286.61	551,575,317.75	13,281,943.98	13,281,943.98
Shandong Huasheng Energy Co., Ltd.	55,045,675.11	-24,615,281.87	-24,615,281.87	220,404,997.86	-19,221,931.73	-19,221,931.73
Puyang Boyuan Natural Gas Co., Ltd.	249,701,508.49	24,388,055.32	24,388,055.32	254,834,031.22	23,077,534.34	23,077,534.34
Bazhou Shengli Shunda Gas Co., Ltd.	676,026,461.01	67,633,302.62	67,633,302.62	781,705,738.91	68,395,584.88	68,395,584.88
Zibo Lvchuan Gas Co., Ltd.	353,597,274.98	30,710,799.71	30,710,799.71	349,522,200.68	21,813,771.50	21,813,771.50
Total	1,959,967,552.86	136,961,162.39	136,961,162.39	2,158,042,286.42	107,346,902.97	107,346,902.97

## (2) Transactions in which the share of ownership interest in a subsidiary changes without loss of control

## 1. Description of changes in the percentage of owners' equity in subsidiaries

During the period, the Company purchased the minority interests (ie. 49% and 37.5% equity) of its subsidiaries, Heze Shengli Natural Gas Co., Ltd. and Qingdao Shengxin Binhai Real Estate Co., Ltd. respectively, and held 100% of the equity interests in its subsidiaries Heze Shengli Natural Gas Co., Ltd. and Qingdao Shengxin Binhai Real Estate Co., Ltd. respectively after the purchase.

## 2. Effect of the transaction on minority interest and equity attributable to owners of the parent company

Item	Heze Shengli Natural Gas Co., Ltd.	Qingdao Shengxin Binhai Real Estate Co., Ltd.
Purchase cost		
Where: Cash	13,780,000.00	126,900,000.00
Total purchase cost	13,780,000.00	126,900,000.00
Less: Share of net assets of subsidiaries based on percentage of equity acquired	4,765,610.99	70,015,447.11
Difference	9,014,389.01	56,884,552.89
Where: Adjustment to capital reserve	9,014,389.01	56,884,552.89

## (3) Interests in joint ventures or associates

## 1. Particulars of joint ventures and associates

Company name	Main place of operation	Registration place	Nature of business	Shareholding (%)		Accounting treatment
				Direct	Indirect	
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Real Estate Properties	17.00	20.00	Equity method
Qingdao Kunlun Shengli Gas Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	49.00		Equity method
Shandong Shengli Bioengineering Co., Ltd.	Jining City, Shandong Province	Jining City, Shandong Province	Biopharmaceuticals	45.00		Equity method
Shandong Kunlun Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	49.00		Equity method
Shandong Shengbang Plastic Pipeline System Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Plastic pipe projects	40.00		Equity method
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	Rizhao City, Shandong Province	Rizhao City, Shandong Province	Natural Gas	49.00		Equity method
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	Linyi City, Shandong Province	Linyi City, Shandong Province	Natural Gas	30.00		Equity method
Shenxian County PetroChina Kunlun Gas Co., Ltd.	Xin County, Shandong Province	Xin County, Shandong Province	Natural Gas	—	40.00	Equity method

## 2. Key financial information on significant associates

Item	Closing balance / Amount incurred during the period		Opening balance / Amounts incurred during the previous period	
	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Qingdao Kunlun Shengli Gas. Co., Ltd.	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Qingdao Kunlun Shengli Gas. Co., Ltd.
Current assets	1,050,604,309.87	7,906,714.45	1,073,443,540.47	21,904,396.42
Where: Cash and cash equivalents	65,380,988.05	1,053,395.36	93,614,909.17	2,937,561.27
Non-current assets	171,308.39	180,573,953.24	171,953.39	139,921,960.66
Total assets	1,050,775,618.26	188,480,667.69	1,073,615,493.86	161,826,357.08
Current liabilities	278,401,129.60	38,401,214.93	28,458,829.21	27,093,274.27
Non-current liabilities		26,146,206.49		1,322,792.25
Total liabilities	278,401,129.60	64,547,421.42	28,458,829.21	28,416,066.52
Equity attributable to the Shareholders of the Parent Company	772,374,488.66	123,933,246.27	1,045,156,664.65	133,410,290.56
Share in net assets in proportion to shareholding percentage	285,778,560.82	60,727,290.67	386,707,965.94	65,371,042.37
Adjustments	195,292.01	52,702,763.03	195,292.01	52,702,763.03
Where: Goodwill	195,292.01	52,702,763.03	195,292.01	52,702,763.03
Carrying value of equity investments in associates	285,973,852.83	113,430,053.70	386,903,257.95	118,073,805.40
Operating Income		370,371,638.23	112,855,260.97	299,438,410.05
Financial expenses	-46,892.28	-846,148.92	-37,063.84	-316,296.17
Income tax expenses		2,082,420.76	19,246,683.40	4,005,009.61
Net profit	-1,782,175.99	9,633,663.25	64,988,487.03	6,459,254.69
Total comprehensive income	-1,782,175.99	9,633,663.25	64,988,487.03	6,459,254.69
Dividends received from associates during the year				

## 3. Summarized financial information of insignificant joint ventures and associates

Item	Closing balance / Amount incurred during the period	Opening balance / Amounts incurred during the previous period
Associates:		
Total carrying amount of investments	343,797,584.88	324,060,115.76
The following are aggregates calculated according to shareholding ratios:		
Net profit	24,158,206.94	29,296,958.14
Total comprehensive income	24,158,206.94	29,296,958.14

## 4. Excess losses incurred in joint ventures or associates

Name of joint ventures or associates	Cumulative unrecognised losses from prior periods	Unrecognised loss for the period (or net profit shared for the period)	Cumulative unrecognised losses at the end of the period
Shengbang Plastic Pipeline System Group Co., Ltd.	13,608,999.23	2,219.62	13,611,218.85



## IX. Risks associated with financial instruments

(1) The Company's operations are subject to various financial risks: Market risk, credit risk and liquidity risk. The goal of risk management of the Company is to achieve balance between risk and income, reducing the negative impacts on the operations to the lowest level, and maximizing interests of shareholders and other equity investors. Based on this goal, the basic strategy of risk management for the Company is to ascertain and analyse all the risks that the Company confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

## 1. Market risk

## (1) Foreign exchange risk - exposure to changes in cash flows

The Company's foreign currency funds are settled in a timely manner and the foreign exchange balance is relatively small, resulting in limited foreign exchange risk.

## (2) Interest Rate Risk

Borrowings are all at fixed rates, so the interest rate risk is low.

## (3) Other price risk

For the risk of price fluctuations of raw materials and finished goods, the Company maintains a reasonable inventory level of raw materials and finished goods to reduce the risk of price fluctuations.

## 2. Credit Risk

To reduce credit risks, the accounting department of the Company is in charge of setting credit limits, making credit approvals and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue debts. Moreover, the Company supervises every single receivable on every balance sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables.

## 3. Liquidity risk

It is the Company's policy to periodically review current and anticipated liquidity requirements and compliance with borrowing contracts to ensure that the Company maintains adequate cash reserves while obtaining commitments from major financial institutions to provide sufficient standby funds to meet long and short-term liquidity requirements.

## (2) Fair value

## 1. Analysis of assets and liabilities measured at fair value within the fair value hierarchy

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Closing balance
<b>I. Ongoing fair value measurement</b>				
(1) Financial assets held for trading		20,000,000.00		20,000,000.00
1. Financial assets classified as at fair value through profit or loss		20,000,000.00		20,000,000.00
(2) Investment properties	72,051,318.00			72,051,318.00
1. Buildings leased out	72,051,318.00			72,051,318.00
(3) Other equity instrument investments	497,449.91		51,737,850.00	52,235,299.91
1. Equity investment held in Qingdao Bank	497,449.91		51,737,850.00	52,235,299.91

## 2. Basis for determining market value of ongoing and non-ongoing Level 1 fair value measurements

The Company's investment properties are subsequently measured using fair value as there are unadjusted active market quotes for the Company's investment properties, with the volume and frequency of

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transactions sufficient to provide pricing information on an ongoing basis.

The Company's equity investment in Qingdao Bank is measured at fair value as the Bank is a listed company with unadjusted market price and its trading volume and frequency are sufficient to provide pricing information on a continuous basis.

#### X. Connected parties and connected transactions

##### (1) The largest controlling shareholder of the Company

Name of Shareholder	Means of Shareholding	Shareholding ratio in the Company (%)	Proportion of voting rights over the Company (%)
Shandong Shengli Investment Co., Ltd.	Directly held	9.99	9.99

## (2) Information on the Subsidiaries of the Company

For details please refer to "Note VII. Interests in Other Entities".

## (3) Information about joint ventures and associates of the Company

For the particulars of significant joint ventures or associates of the Company, please refer to "Note VII. Interests in Other Entities".

## (4) Other connected parties of the Company

Name of other connected parties	Relations between other connected parties and the Company
Shandong Shengli Investment Co., Ltd.	The largest shareholder of the Company, who holds 9.99% of the share capital of the Company
Wang Jian	Directors of the Company
Ji'Nan Fanteng Trade Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see IX, (5), 3)
Shandong Pingtong Civil Works Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see IX, (5), 3)
Shandong Shengdi Landscaping Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see IX, (5), 3)

## (5) Connected transactions

## 1. Connected transactions for the purchase and sale of goods, and the provision and acceptance of services

Name of connected party	Type of connected transaction	Content of connected transactions	Pricing and decision-making process for connected transactions	This Period		Previous period	
				Amount	Percentage of the amount in similar transactions (%)	Amount	Percentage of the amount in similar transactions (%)
Purchase of goods and acceptance of services:							
Qingdao Kunlun Shengli Gas Co., Ltd.	Procurement	Natural Gas	Market Price	30,508,888.94	0.55	57,303,105.11	0.94
Sale of goods, provision of services:							
Qingdao PetroChina Kunlun Energy Co., Ltd.	Sales	Natural Gas	Market Price	4,755,466.55	0.08	2,906,595.24	0.05
Shandong Kunlun Shengli Energy Co., Ltd.	Sales	Natural Gas	Market Price	82,472.57	0.01	764,273.39	0.01
Shenxian County PetroChina Kunlun Gas Co., Ltd.	Sales	Natural Gas	Market Price	32,439.61	0.01		

## 2. Information on Connected Leases

Name of Lessor	Name of Lessee	Information on Leasehold	Rental income/expense recognised during the period	Rental income/expense recognised in the previous period
Shandong Shengli Co., Ltd.	Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	Property	244,814.99	209,594.29

## 3. Inform on Connected Guarantees

## (1) Guarantees provided for subsidiaries and investee companies

For details, please refer to "(2) 2. Guarantee provided by the Company for the benefit of its subsidiaries" and "3. Guarantee provided by the Company for the benefit of investee companies" in Note X "Commitments and Contingencies".

## (2) Information on Guarantees provided by the Company to other connected parties

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2021/9/27	2023/9/26	No
Shandong Shengli Co., Ltd.	Ji'Nan Fanteng Trade Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2021/11/19	2023/11/18	No
Shandong Shengli Co., Ltd.	Shandong Pingtong Civil Works Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	2,000.00	2021/4/21	2023/4/20	No
Total			4,000.00			

Notes: Shandong Shengdi Landscaping Co., Ltd., Ji'Nan Fanteng Trade Co., Ltd. and Shandong Pingtong Municipal Engineering Co., Ltd. are all wholly-owned subsidiaries of Qilu Property Co., Ltd. and Wang Jian, a director of the Company, is the chairman of Qilu Property Co., Ltd..

## 4. Borrowing and lending between connected parties

Connected parties	Borrowing/ Lending	Amount	Description
Shandong Shengli Bioengineering Co., Ltd.	Lending to connected party	32,720,000.00	Interest is charged at bank loan rates for the same period
Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	Lending to connected party	1,960,000.00	Interest is charged at bank loan rates for the same period
Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Borrowing from connected party	60,000,000.00	interest-free loan

## 5. Compensation for key management personnel

Units: RMB 10,000

Key Management Personnel Compensation	This Period	Previous period
Total	1,096.66	935.32

## (6) Payables and receivables with connected parties

## 1. Receivables

Item name	Connected parties	Closing balance		Opening balance	
		Book Balance	Bad debt provision	Book Balance	Bad debt provision
Accounts receivable	Shengbang Plastic Pipeline System Group Co., Ltd.	60,539,091.82	60,539,091.82	60,539,091.82	60,539,091.82
Prepayments	Qingdao Kunlun Shengli Gas. Co., Ltd.	60,348.61		3,705.87	
Dividend receivable	Qingdao Shengtong Coastal Real Estate Co., Ltd.	100,270,000.00			
Dividend receivable	Qingdao Kunlun Shengli Gas. Co., Ltd.	9,945,135.02			
Other receivables	Shandong Shengli Bioengineering Co., Ltd.	32,720,000.00	21,473,624.22	34,464,908.07	22,618,780.10
Other receivables	Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	1,960,000.00	98,000.00	1,960,000.00	98,000.00
Other receivables	Qingdao Kunlun Shengli Gas. Co., Ltd.	30,000.00	1,500.00		

## 2. Payables

Item name	Connected parties	Closing balance	Opening balance
Contractual liabilities	Shandong Kunlun Shengli Energy Co., Ltd.	7,990.64	
Contractual liabilities	Qingdao Kunlun Shengli Gas. Co., Ltd.	106,871.54	
Accounts Payable	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	29,700,000.00	29,700,000.00
Accounts Payable	Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	1,213.00	
Other payables	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	671,328.89	671,328.89
Long-term payables	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	60,000,000.00	60,000,000.00

## XI. Commitments and Contingencies

- (1) There is no commitment.  
(2) There were no contingencies.

## 1. Guarantees provided:

## (1) External guarantees provided

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2021/9/27	2023/9/26	No
Shandong Shengli Co., Ltd.	Ji'Nan Fanteng Trade Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2021/11/19	2023/11/18	No
Shandong Shengli Co., Ltd.	Shandong Pingtong Civil Works Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	2,000.00	2021/4/21	2023/4/20	No
Total			4,000.00			

Notes: The Guarantee Start Date is the date when the guarantee obligation is required to be fulfilled after the maturity of the loan, and the Guarantee End Date is the date on which the guarantee obligation is extinguished as agreed in the Guarantee Agreement.

## (2) Guarantee provided by the Company for subsidiaries

Guarantor	Guaranteed party	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	4,900.00	2022/11/9	2024/11/8	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	2,000.00	2021/10/30	2023/10/29	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	8,000.00	2021/10/21	2023/10/20	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	7,000.00	2021/2/18	2023/2/17	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	500.00	2021/3/15	2023/3/14	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	1,000.00	2021/6/24	2023/6/23	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	2,000.00	2021/3/18	2023/3/17	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,000.00	2021/2/14	2023/2/13	No

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Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,000.00	2021/8/29	2023/8/28	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,000.00	2021/9/17	2023/9/16	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,000.00	2021/12/18	2023/12/17	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	1,000.00	2021/4/9	2023/4/8	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2021/3/21	2023/3/20	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2021/2/28	2023/2/27	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2021/5/23	2023/5/22	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	600.00	2021/9/2	2023/9/1	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	3,000.00	2021/3/18	2023/3/17	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	440.00	2021/4/27	2023/4/26	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	560.00	2021/6/29	2023/6/28	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	13,000.00	2021/3/21	2023/3/20	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	1,500.00	2021/6/23	2023/6/22	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	2,000.00	2021/7/31	2023/7/30	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	5,000.00	2021/3/25	2023/3/24	No
Shandong Shengli Co., Ltd.	Shandong Lihuasheng Transportation Co., Ltd.	1,000.00	2021/4/23	2023/4/22	No
Shandong Shengli Co., Ltd.	Pengze County Natural Gas Co., Ltd.	1,500.00	2021/6/24	2023/6/23	No
Shandong Shengli Co., Ltd.	Pengze County Natural Gas Co., Ltd.	1,350.00	2023/6/30	2025/6/29	No
Shandong Shengli Co., Ltd.	Pengze County Natural Gas Co., Ltd.	1,000.00	2021/8/27	2023/8/26	No
Shandong Shengli Co., Ltd.	Chongqing Shengbang Gas Co., Ltd.	1,800.00	2023/3/31	2025/3/30	No
Shandong Shengli Co., Ltd.	Qinzhou Shengli Natural Gas Utilities Co., Ltd.	900.00	2022/9/4	2024/9/3	No
Shandong Shengli Co., Ltd.	Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	1,100.00	2021/1/10	2023/1/9	No
Shandong Shengli Co., Ltd.	Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	1,100.00	2021/3/4	2023/3/3	No
Shandong Shengli Co., Ltd.	Bazhou Shengli Shunda Gas Co., Ltd.	5,000.00	2021/6/11	2023/6/10	No
Shandong Shengli Co., Ltd.	Bazhou Shengli Shunda Gas Co., Ltd.	2,907.00	2023/6/3	2025/6/2	No
Shandong Shengli Co., Ltd.	Weihai Shengli Huachang Gas Co., Ltd.	50.00	2021/2/9	2023/2/8	No
Shandong Shengli Co., Ltd.	Weihai Shengli Huachang Gas Co., Ltd.	250.00	2021/3/17	2023/3/17	No
Total		76,857.00			

Notes: The Guarantee Start Date is the date when the guarantee obligation is required to be fulfilled after the maturity of the loan, and the Guarantee End Date is the date on which the guarantee obligation is extinguished as agreed in the Guarantee Agreement.

The above guarantees were subject to the Company's decision-making and disclosure procedures.

## XII. Events after the balance sheet date

### (1) Information on profit distribution

On 26 April 2021, the Board of Directors of the Company resolved that the profit distribution plan for the year 2020 shall be based on the total share capital of the Company of 880,084,656 shares and a cash dividend of RMB0.20 (including tax) shall be paid to all shareholders for every 10 shares from retained profits, amounting to a total cash dividend of RMB17,601,693.12 (including tax). After the distribution of the cash dividend, the remaining retained profit will continue to be retained by the company for the development of its natural gas business. There are neither stock dividend nor capitalisation of capital reserves in 2020. The motion is subject to consideration at the Annual General Meeting.

### (2) Post-period Adjustments

Shandong Shengli Co., Ltd. entered into an equity transfer agreement with Wenzhou Gangyao Natural Gas Co., Ltd., Chen Xiguo, Lin Qinhuo and Zheng Yiping in 2017, which provides for the transfer of 55% equity interest in Wenzhou Shengli Gangyao Natural Gas Co., Ltd. to Shandong Shengli Co., Ltd. The transfer price of 55% of its equity interest shall not be more than RMB170 million and the transaction price shall be finalised based on the audited net profit of Wenzhou Shengli Gangyao Natural Gas Co., Ltd from 2017 to 2021. As a result of the force majeure, i.e. the COVID-19 pandemic in 2020, many industrial and commercial enterprises in the area where Wenzhou Shengli Gangyao Natural Gas Co., Ltd operates, had ceased or reduced production, and as a result, its operations have been severely and unexpectedly impacted. Besides, the upstream gas pipeline in the area has not been connected as planned due to the conflict between the provincial pipeline company and the local residents. The above-mentioned significant changes in circumstances have caused significant changes to the basis of the original equity transfer agreement. The agreed equity transfer price is no longer a fair reflection of the actual value of Wenzhou Shengli Gangyao Natural Gas Co., Ltd, and for this reason, the parties have agreed to adjust the relevant terms of the Original Equity Transfer Agreement on the premise of fairness, legality and compliance. The valuation was conducted by a valuer with 31 December 2020 as the valuation base date, and the value of the equity interest in Wenzhou Shengli Gangyao Natural Gas Co., Ltd was RMB 260 million according to the valuation. Based on the appraisal value of the underlying asset issued by the third party, the parties to the transaction determined, after friendly negotiations, that the consideration for the transfer of 55% equity interest in Wenzhou Shengli Gangyao Natural Gas Co., Ltd to Shandong Shengli Co., Ltd was RMB129.8 million. The parties entered into a supplemental agreement in April 2021. Shandong Shengli Co., Ltd. had paid RMB85.0 million for the equity transfer in the previous period and RMB44.8 million for the equity transfer in the subsequent period, and the remaining RMB40.2 million payable for the equity transfer was not required to be paid with the gain from change in fair value increased, which was treated by Shandong Shengli Co., Ltd as a post-period adjustment.

## XIII. Other significant matters

### (1) Discontinued Operations

Item	This Period	Previous period
I. Revenue from Discontinued Operations		6,580,168.83
Less: Termination costs and operating expenses	2,559.44	8,880,290.31
II. Total profit from discontinued operations	-2,559.44	-2,300,121.48
Less: Income tax expenses incurred by discontinued operations		45,226.17
III. Net profit from discontinued operations	-2,559.44	-2,345,347.65
Where: Net profit from discontinued operations attributable to the parent company	-2,559.44	-2,345,347.65
Add: Net gain on disposal of business (after tax)		
Where: Total profits and losses on disposal		
Less: Income tax expenses (or income)		
IV. Total net profit from discontinued operations	-2,559.44	-2,345,347.65

Where: Total net profit from discontinued operations attributable to owners of the parent company		
V. Net cash flows from discontinued operations		
Where: Net cash flows from operating activities	-31,917.77	-1,179,007.18
Net cash flows from investing activities		
Net cash flows from financing activities		

Notes: During the period, the Company cancelled its sub-subsidiary, Weihai Runli Energy Co., Ltd.

## (2) Segment reporting

### 1. Basis for determination and accounting policy of reporting segments

Basic information on operating segments: The Company and its subsidiaries (collectively, the "Group") operate in natural gas business, equipment material manufacturing and sales business, and trade business among others. The Group organises and manage its businesses separately according to the nature of its operations and the products and services provided.

The Group's operating segments are classified and described as follows:

A. Natural gas business segment: It operates the natural gas sales business;

B. Equipment Material Manufacturing Business Segment: It engages in the sale of raw materials for equipment materials and the production and sale of equipment materials;

C. Trade and other business segments: It deals in finished oil products trade, investment and other businesses.

The management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment.

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment in reporting to the management, which are consistent with the accounting and measurement bases used in the preparation of the financial statements.

### 2. Financial Information Reported by Segments

Item	Natural Gas Business Segment	Equipment Material Manufacturing Business Segment	Trade and Other Business Segment	Inter-segment offsetting	Consolidated Statement Data
I. Operating Income	3,537,724,012.21	1,109,929,833.15	21,741,641.85	-73,034,624.40	4,596,360,862.81
II. Operating Costs	2,877,617,419.49	989,076,934.27	7,279,472.12	-55,786,076.96	3,818,187,748.92
III. Total profit	323,672,894.89	49,141,737.26	-68,816,213.95	-6,445,252.17	297,553,166.03
IV. Income tax expenses	80,015,793.19	6,253,809.35	-1,821,908.57	-2,530,763.07	81,916,930.90
V. Net profit	243,657,101.70	42,887,927.91	-66,994,305.38	-3,914,489.10	215,636,235.13
VI. Total Assets	3,697,713,072.93	873,014,836.06	4,862,503,160.46	-2,680,741,212.95	6,752,489,856.50
VII. Total liabilities	2,006,062,074.61	588,165,583.92	2,381,032,455.20	-1,124,172,018.39	3,851,088,095.34

(3) Save for the above, there are no other material matters that need to be disclosed by the Company.



## XIV. Notes to main items of the parent company's financial statements

## (1) Accounts receivable

## Accounts receivable by category

Categories	Closing figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis	47,931,043.58	100.00	31,635,381.27	66.00
Where: Connected party-based grouping	16,295,662.31	34.00		
Ageing-based grouping	31,635,381.27	66.00	31,635,381.27	100.00
Total	47,931,043.58	100.00	31,635,381.27	66.00

Categories	Opening figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis	36,142,693.48	100.00	31,692,443.58	87.69
Where: Connected party-based grouping	4,109,727.14	11.37		
Ageing-based grouping	32,032,966.34	88.63	31,692,443.58	98.94
Total	36,142,693.48	100.00	31,692,443.58	87.69

## 1. Accounts receivable with provision for bad and doubtful debts on a group basis

## (1) Accounts receivable relating to a group of connected parties

Group Name	Closing figure			Opening figure		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Connected party-based grouping	16,295,662.31			4,109,727.14		

## (2) Ageing-based grouping

Ageing	Closing figure			Opening figure		
	Book Balance	Expected credit loss ratio (%)	Bad debt provision	Book Balance	Expected credit loss ratio (%)	Bad debt provision
Less than 1 year		0.36			0.18	
1 to 2 years		2.80			2.30	
2 to 3 years		16.11		111,921.50	12.75	14,269.99
3 to 4 years		37.25		256,613.00	40.86	104,852.08
4 to 5 years		77.69		552,518.66	83.51	461,408.33
More than 5 years	31,635,381.27	100.00	31,635,381.27	31,111,913.18	100.00	31,111,913.18
Total	31,635,381.27	— —	31,635,381.27	32,032,966.34	— —	31,692,443.58

## 2. Provision for bad debts for the period:

Categories	Opening balance	Movements during the period			Closing balance
		Provision	Recovery or reversal	Write-off	
Ageing-based grouping	31,692,443.58		57,062.31		31,635,381.27

## 3. Five largest accounts receivable by debtor at the end of the period

Entity name	Closing balance	Percentage of total accounts receivable (%)	Bad debt provision balance
Shandong Shengbang Plastic Co., Ltd.	10,509,400.95	21.93	
Oilfield Drilling Technology Institute	1,975,802.85	4.12	1,975,802.85
Qingdao Ruifuda Rubber Industry Co. Ltd.	1,589,405.29	3.32	1,589,405.29
Qingdao Shengli Meijiuhui Co., Ltd.	1,273,419.14	2.66	
Shandong Province Lufa Livestock Development Center	904,126.45	1.89	904,126.45
Total	16,252,154.68	33.92	4,469,334.59

## (2) Other receivables

Categories	Closing balance	Opening balance
Dividend receivable	56,015,135.02	
Other receivables	784,757,821.14	811,015,555.40
Less: Bad debt provision	78,954,339.43	78,602,452.45
Total	761,818,616.73	732,413,102.95

## 1. Dividend receivable

Investee	Closing balance	Opening balance
Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	46,070,000.00	
Qingdao Kunlun Shengli Gas. Co., Ltd.	9,945,135.02	
Total	56,015,135.02	

## 2. Other receivables

## (1) Other receivables by nature

Nature of amount	Closing balance	Opening balance
Transactions between Internal Connected Parties	553,630,381.83	590,395,689.41
Security deposit and Guarantee	2,690,069.00	3,330,000.00
Petty cash		24,821.80
Current accounts and others(Note )	228,437,370.31	217,265,044.19
Less: Bad debt provision	78,954,339.43	78,602,452.45
Total	705,803,481.71	732,413,102.95

Notes: In January 2014, the Company transferred 55% equity interest of Shandong Shengli Bioengineering Co., Ltd, a wholly-owned subsidiary of the Company, to Zhongmu Industrial Co. Ltd. In accordance with the equity transfer agreement, both parties provided financial support to Shandong Shengli Bioengineering Co., Ltd. in proportion to their shareholdings and charged it a capital occupation fee at the bank loan interest rate for the same period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations. The balance for the period was RMB32,720,000.00.

The Company provided financial support of RMB1,960,000.00 to Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd., in which the Company has a 49% equity interest, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

The bank loan of RMB20,000,000.00 borrowed by Qingdao Tongyong Plastic Co., Ltd. ("Qingdao Tongyong Plastic") from China Merchants Bank, which was guaranteed by the Company, matured on 10 April, 2016, and as Qingdao General Plastics failed to repay the loan on maturity, the Company fulfilled its guarantee obligations in accordance with the guarantee agreement and paid the principal and interest of RMB20,065,391.67 on the loan. Under the agreement, Qingdao General Plastics provided a collateral-based counter-guarantee for the guarantee provided by the Company with the use rights to 30 mu of land it holds. The Company has pursued the claim through litigation proceedings and won the second trial. The auction procedure of the collateral assets by the court is in progress, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

On 23 January 2017, the Company transferred its equity interest in Shandong Shengbang Lvyue Chemistry Co., Ltd., a subsidiary of the Company and recovered other receivables from that subsidiary by instalments, with RMB10,000,000.00 recovered in 2020. The aggregate principal and interest balance of the remaining other receivables was RMB134,757,848.68 as of the end of December 2020. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

## (2) Disclosure of other receivables by aging

Ageing	Closing balance	Opening balance
Less than 1 year	528,876,293.40	575,127,499.29
1 to 2 years	38,442,068.08	10,990,056.34
2 to 3 years	10,819,744.55	138,182,498.65
3 to 4 years	123,621,681.00	22,920,094.96
4 to 5 years	22,920,094.96	5,463,703.14
More than 5 years	60,077,939.15	58,331,703.02
Total	784,757,821.14	811,015,555.40

## (3) Provisions made for bad debt

Bad debt provision	Stage I	Stage II	Stage III	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (without credit impairment)	Expected credit losses over the entire duration (with credit impairments)	
Opening balance	78,602,452.45			78,602,452.45
Provision for the period	384,628.18			384,628.18
Reversal this period	32,741.20			32,741.20
Closing balance	78,954,339.43			78,954,339.43

## (4) Provisions for bad debts that are made, recovered or reversed for the period

## Provision for bad debts for the period:

Categories	Opening balance	Amount of changes during the period		Closing balance
		Provision	Recovery or reversal	
Security deposit and Guarantee	166,500.00		31,996.55	134,503.45
Petty cash	744.65		744.65	
Current accounts and others	78,435,207.80	384,628.18		78,819,835.98
Total	78,602,452.45	384,628.18	32,741.20	78,954,339.43

## (5) Five largest other receivables by debtor at the end of the period

Name of debtors	Nature of amount	Closing balance	Ageing	Percentage of total other receivables (%)	Bad debt provision balance
Shandong Huasheng Energy Co., Ltd.	Borrowing and lending	174,145,000.00	Less than 1 year	22.19	
Anyang Beifang Shengli Gas Co., Ltd.	Borrowing and lending	145,475,000.00	Less than 1 year	18.54	
Shandong Shengbang Lvyue Chemistry Co., Ltd.	Amount due from Shengbang Lvyue	134,757,848.68	Less than 1 year RMB4,975,443.06, 1-2 years RMB7,801,002.00, 2-3 years RMB2,265,720.97, 3-4 years RMB119,715,682.65	17.17	12,294,464.29
Heze Shengli Natural Gas Co., Ltd.	Borrowing and lending	34,560,777.20	Less than 1 year	4.40	
Shandong Shengli Bioengineering Co., Ltd.	Borrowing and lending	32,720,000.00	Less than 1 year RMB1,490,770.94, 1-2 years RMB1,606,794.72, 2-3 years RMB1,716,723.51, 3-4 years RMB1,905,998.35, 4-5 years RMB2,831,081.49, more than 5 years RMB23,168,630.99	4.17	21,473,624.22
Total	— —	521,658,625.88	— —	66.47	33,768,088.51

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### (3) Long-term equity investments

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Investments in subsidiaries	2,673,830,122.02		2,673,830,122.02	2,433,930,566.02		2,433,930,566.02
Investments in affiliates and joint ventures	607,718,396.36	30,387,267.77	577,331,128.59	635,006,462.24	25,868,518.27	609,137,943.97
Total	3,281,548,518.38	30,387,267.77	3,251,161,250.61	3,068,937,028.26	25,868,518.27	3,043,068,509.99

#### 1. Investments in subsidiaries

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Closing balance of provision for impairment
Shaanxi Huashan Shengbang Plastic Co., Ltd.	29,579,999.99			29,579,999.99	
Qingdao Shengli Petrochemical Products Sales. Co., Ltd.	4,700,000.00			4,700,000.00	
Shandong Shengbang Plastic Co., Ltd.	80,000,000.00			80,000,000.00	
Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	34,232,057.99	126,900,000.00		161,132,057.99	
Shandong Shengli Import & Export Co., Ltd.	20,000,000.00			20,000,000.00	
Shandong Lihuasheng Energy Co., Ltd.	100,000,000.00			100,000,000.00	
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	40,500,000.00			40,500,000.00	
Shandong Shengli Energy Co., Ltd.	20,000,000.00			20,000,000.00	
Heze Shengli Natural Gas Co., Ltd.	15,300,000.00	33,780,000.00		49,080,000.00	
Rizhao Natural Gas Co., Ltd.	9,000,000.00			9,000,000.00	
Dezhou Shengli Natural Gas Co., Ltd.	14,440,000.00			14,440,000.00	
Linyi Shengli Energy Co., Ltd.	8,600,000.00			8,600,000.00	
Taian Shengli Energy Co., Ltd.	1,020,000.00			1,020,000.00	
Weifang Shengli Natural Gas Co., Ltd.	9,000,000.00			9,000,000.00	
Binzhou Shengli Natural Gas Co., Ltd.	8,829,900.00			8,829,900.00	
Ji'Nan Tianchen Energy Investment Co., Ltd.	10,092,188.89			10,092,188.89	

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Yantai Runtong Energy Co., Ltd.	15,000,000.00		15,000,000.00
Shandong Longyu Shengli Energy Co., Ltd.	17,250,000.00		17,250,000.00
Dong'a Dongtai Gas Co., Ltd.	236,469,997.44		236,469,997.44
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	89,627,597.80		89,627,597.80
Qingdao Runhao Natural Gas Co., Ltd.	90,955,734.61		90,955,734.61
Shandong Lihuasheng Transportation Co., Ltd.	20,000,000.00		20,000,000.00
Shandong Qinglin Taifeng Trade Co., Ltd.	11,232,000.00		11,232,000.00
Bazhou Shengli Shunda Gas Co., Ltd.	165,750,000.00		165,750,000.00
Dalian Shengyi New Energy Development. Co., Ltd.	66,756,400.00		66,756,400.00
Zibo Lvchuan Gas Co., Ltd.	127,688,431.80		127,688,431.80
Anyang Beifang Shengli Gas Co., Ltd.	66,600,000.00		66,600,000.00
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	103,000,000.00		103,000,000.00
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	170,000,000.00		170,000,000.00
Tianjin Hengrongda Technology Co., Ltd.	44,875,957.50		44,875,957.50
Chongqing Shengbang Gas Co., Ltd.	663,800,000.00		663,800,000.00
Weihai Shengli Huachang Gas Co., Ltd.	49,480,300.00		49,480,300.00
Qingdao Shengxin Meijiuhui. Co., Ltd.	900,000.00		900,000.00
Puyang County Boyuan Natural Gas Co., Ltd.	89,250,000.00		89,250,000.00
Qingdao Hengchang Trade. Co., Ltd.		79,219,556.00	79,219,556.00
Total	2,433,930,566.02	239,899,556.00	2,673,830,122.02

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### 2. Investments in affiliates and joint ventures

Investor	Opening balance	Changes in the period								Closing balance	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Associates:											
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	177,921,371.48			-302,969.92			46,070,000.00			131,548,401.56	
Shandong Shengli Bioengineering Co., Ltd.	193,732,248.63			18,182,163.29						211,914,411.92	
Shandong Kunlun Shengli Energy Co., Ltd.	22,381,768.79			634,682.35		98,011.68				23,114,462.82	
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	37,364,808.44			4,120,502.03						41,485,310.47	
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	59,663,941.23			693,296.39				4,518,749.50		55,838,488.12	4,518,749.50
Qingdao Kunlun Shengli Gas Co., Ltd.	118,073,805.40			4,720,494.99		580,888.33	9,945,135.02			113,430,053.70	25,868,518.27
Total	609,137,943.97			28,048,169.13		678,900.01	56,015,135.02	4,518,749.50		577,331,128.59	30,387,267.77

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

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### (4) Operating income and operating cost

Item	This Period		Previous period	
	Revenue	Cost	Revenue	Cost
I. Subtotal of principal activities	462,819,373.48	461,775,535.38	403,885,621.37	403,861,277.41
Production and sale of equipment materials	462,819,373.48	461,775,535.38	403,885,621.37	403,861,277.41
II. Subtotal of other business	11,011,822.71		10,302,327.17	
Total	473,831,196.19	461,775,535.38	414,187,948.54	403,861,277.41

### 1. Operating income for the period by the timing of recognition

Revenue Recognition Time	Production and sale of equipment materials	Other operating income
recognised at a point in time	462,819,373.48	11,011,822.71
Total	462,819,373.48	11,011,822.71

### (5) Investment income

Item	This Period	Previous period
Income on Long-term equity investments accounted for under the cost method	122,501,294.90	130,976,021.75
Income from long-term equity investment accounted for under the equity method	28,048,169.13	42,839,764.27
Investment income arising from disposal of long-term equity investment		-6,595,522.80
Total	150,549,464.03	167,220,263.22

## XV. Supplementary information

### (I) Details on Non-Recurring Profit or Loss for the Period

Item	Amount	Remarks
1. Gains or losses on disposal of non-current assets, including the write-off of provision for impairment of assets	453,846.80	
2. Government grants recognised in profit or loss for the period (except for those closely related to the business of the Group and provided at a fixed or quantitative amount in accordance with the national standard)	8,772,707.55	
3. Capital occupation fees charged on non-financial enterprise recognised in profit or loss for the period (Note)	6,134,573.91	
4. Gains and losses arising from changes in the fair value of investment properties subsequently measured using the fair value model	-5,168,238.00	
5. Other non-operating revenue and expenses	-508,199.01	
6. Changes in fair value of equity	40,200,000.00	
7. Income tax effect	-1,752,694.66	
8. Effect of minority interests	-2,417,552.97	
Total	45,714,443.62	

Notes: Fund appropriation fees charged on non-financial enterprise taken into profit or loss for the period

For details please refer to the additional description in Note V.(6).2 Other income.



**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

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**(2) Rate of return on equity and earnings per share**

Profit for the reporting period	Weighted average return on equity (%)		Earnings per share	
			Basic earnings per share	
	This year	Previous year	This year	Previous year
Net profit attributable to ordinary shareholders of the Company	5.83	5.70	0.16	0.15
Net profit after non-recurring profit/loss attributable to ordinary shareholders of the Company	3.96	5.32	0.11	0.14

## Section 10 Financial Report

## 1. Auditor's Report

Whether the interim report is audited

 Yes  No

The interim report is unaudited

## 2. Financial Statements

Unit in Notes to Financial Statements: Yuan

Consolidated Balance Sheet			
Prepared by: Shandong Shengli Co., Ltd.		30 June, 2021	Unit: RMB
Item	Note	30 June, 2021	31 December, 2020
<b>Current assets:</b>			
Monetary Funds	V. (1)	675,463,711.96	895,147,268.19
Financial assets held for trading	V. (2)	10,000,000.00	20,000,000.00
Derivative financial assets			
Notes receivable			
Accounts receivable	V. (3)	401,044,643.24	382,618,983.73
Accounts Receivable Financing	V. (4)	70,798,392.30	48,792,081.24
Prepayments	V. (5)	159,599,018.58	202,844,033.26
Other receivables	V. (6)	170,710,354.57	277,873,862.66
Where: Interest receivable			
Dividend receivable	V. (6)		110,215,135.02
Inventories	V. (7)	430,982,779.93	407,349,207.60
Contractual Assets	V. (8)	27,602,307.65	32,042,250.17
Assets held for sales			
Non-current assets due within one year			
Other current assets	V. (9)	40,510,612.46	49,429,242.81
<b>Total current assets</b>		<b>1,986,711,820.69</b>	<b>2,316,096,929.66</b>
<b>Non-current assets:</b>			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments	V. (10)	974,238,842.81	743,201,491.41
Other equity instrument investments	V. (11)	52,154,768.39	52,235,299.91
Other non-current financial assets			
Investment properties	V. (12)	72,051,318.00	72,051,318.00
Fixed assets	V. (13)	1,776,882,850.85	1,791,339,085.32
Construction in progress (CIP)	V. (14)	242,437,979.54	178,823,516.53
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V. (15)	93,583,045.63	
Intangible assets	V. (16)	114,914,051.24	113,351,820.67
Development expenses	V. (17)	1,363,668.13	598,041.27
Goodwill	V. (18)	1,241,258,775.22	1,241,258,775.22
Long-term deferred expenses	V. (19)	6,778,554.72	14,751,286.67
Deferred tax assets	V. (20)	139,611,098.31	189,922,772.09
Other non-current assets	V. (21)	26,357,291.40	38,859,519.75
<b>Total non-current assets</b>		<b>4,741,632,244.24</b>	<b>4,436,392,926.84</b>
<b>Total assets</b>		<b>6,728,344,064.93</b>	<b>6,752,489,856.50</b>

Consolidated Balance Sheet (Continued)			
Prepared by: Shandong Shengli Co., Ltd.		30 June, 2021	Unit: RMB
Item	Note	30 June, 2021	31 December, 2020
Current liabilities:			
Short-term borrowings	V. (22)	1,210,029,612.32	1,226,664,923.48
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	V. (23)	530,900,000.00	572,500,000.00
Accounts Payable	V. (24)	277,060,337.12	367,541,743.20
Advance receipts			
Contractual liabilities	V. (25)	463,828,522.80	587,662,458.51
Employee benefits payable	V. (26)	29,143,331.84	46,288,468.90
Taxes payable	V. (27)	21,150,625.79	25,203,550.38
Other payables	V. (28)	83,810,109.50	83,258,948.77
Where: Interest payable			
Dividend payable	V. (28)	4,666,416.46	4,666,416.46
Liabilities held for sales			
Non-current liabilities due within one year	V. (29)	254,738,711.17	241,979,947.66
Other current liabilities	V. (30)	42,103,646.95	50,963,005.52
Total current liabilities		2,912,764,897.49	3,202,063,046.42
Non-current liabilities:			
Long-term borrowings	V. (31)	413,277,500.00	401,742,500.00
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Lease liabilities	V. (33)	78,228,486.57	
Long-term payables	V. (32)	148,450,000.00	148,450,000.00
Long-term staff remuneration payables			
Estimated liabilities			
Deferred revenue	V. (34)	17,502,540.47	17,921,651.85
Deferred tax liabilities	V. (20)	82,159,344.44	80,910,897.07
Other non-current liabilities			
Total non-current liabilities		739,617,871.48	649,025,048.92
Total liabilities		3,652,382,768.97	3,851,088,095.34
Shareholders' equity:			
Share capital	V. (35)	880,084,656.00	880,084,656.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserves	V. (36)	952,779,851.16	952,779,851.16
Less: Treasury shares			
Other comprehensive income	V. (37)	-19,034,475.62	-18,953,944.10
Special Reserves	V. (38)	17,471,679.14	14,737,439.57
Surplus reserves	V. (39)	151,979,862.63	151,979,862.63
Retained earnings	V. (40)	636,223,485.06	477,074,696.98
Total Equity attributable to the Shareholders of the Parent Company		2,619,505,058.37	2,457,702,562.24
Minority stockholder's interest		456,456,237.59	443,699,198.92
Total shareholders' equity		3,075,961,295.96	2,901,401,761.16
Total liabilities and shareholders' equity		6,728,344,064.93	6,752,489,856.50

Parent Company Balance Sheet			
Prepared by: Shandong Shengli Co., Ltd.		30 June, 2021	Unit: RMB
Item	Note	30 June, 2021	31 December, 2020
<b>Current assets:</b>			
Monetary Funds		334,825,550.64	447,246,170.74
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XIII. (1)	63,335,632.48	16,295,662.31
Accounts Receivable Financing		42,885,415.72	17,866,573.95
Prepayments		2,443,191.10	12,103,315.60
Other receivables	XIII. (2)	738,596,887.77	761,818,616.73
Where: Interest receivable			
Dividend receivable	XIII. (2)		56,015,135.02
Inventories		2,361,178.61	2,774,238.59
Contractual Assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets		1,648,613.19	1,985,960.60
<b>Total current assets</b>		<b>1,186,096,469.51</b>	<b>1,260,090,538.52</b>
<b>Non-current assets:</b>			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments	XIII. (3)	3,368,903,120.95	3,251,161,250.61
Other equity instrument investments		416,918.39	497,449.91
Other non-current financial assets			
Investment properties			
Fixed assets		31,678,835.01	34,946,622.46
Construction in progress (CIP)			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		3,488,995.95	3,552,132.75
Development expenses		370,930.03	111,279.01
Goodwill			
Long-term deferred expenses			
Deferred tax assets		114,431,095.57	166,336,043.78
Other non-current assets			
<b>Total non-current assets</b>		<b>3,519,289,895.90</b>	<b>3,456,604,778.52</b>
<b>Total assets</b>		<b>4,705,386,365.41</b>	<b>4,716,695,317.04</b>

Parent Company Balance Sheet (Continued)				
Prepared by: Shandong Shengli Co., Ltd.		30 June, 2021		Unit: RMB
Item	Note	30 June, 2021	31 December, 2020	
<b>Current liabilities:</b>				
Short-term borrowings		718,321,866.60	733,754,820.15	
Held-for-trading financial liabilities				
Derivative financial liabilities				
Notes payable		290,900,000.00	380,000,000.00	
Accounts Payable		49,242,764.78	23,587,947.10	
Advance receipts				
Contractual liabilities		2,193,144.52	3,467,746.29	
Employee benefits payable		1,047,623.77	560,518.08	
Taxes payable		532,936.59	535,963.59	
Other payables		668,442,145.29	562,023,300.67	
Where: Interest payable				
Dividend payable		1,497,902.15	1,497,902.15	
Liabilities held for sales				
Non-current liabilities due within one year		229,255,638.85	231,723,119.27	
Other current liabilities		284,789.16	450,487.39	
Total current liabilities		1,960,220,909.56	1,936,103,902.54	
<b>Non-current liabilities:</b>				
Long-term borrowings		221,287,500.00	259,242,500.00	
Bonds payable				
Where: Preference shares				
Perpetual bonds				
Lease liabilities				
Long-term payables		196,450,000.00	199,450,000.00	
Long-term staff remuneration payables				
Estimated liabilities				
Deferred income				
Deferred tax liabilities		9,004,927.10	9,004,927.10	
Other non-current liabilities				
Total non-current liabilities		426,742,427.10	467,697,427.10	
Total liabilities		2,386,963,336.66	2,403,801,329.64	
<b>Shareholders' equity:</b>				
Share capital		880,084,656.00	880,084,656.00	
Other equity instruments				
Where: Preference shares				
Perpetual bonds				
Capital reserves		1,029,684,738.55	1,029,684,738.55	
Less: Treasury shares				
Other comprehensive income		-19,034,475.62	-18,953,944.10	
Special Reserves				
Surplus reserves		151,554,852.93	151,554,852.93	
Retained earnings		276,133,256.89	270,523,684.02	
Total shareholders' equity		2,318,423,028.75	2,312,893,987.40	
Total liabilities and shareholders' equity		4,705,386,365.41	4,716,695,317.04	

Consolidated Income Statement			
Prepared by: Shandong Shengli Co., Ltd.		Jan - Jun 2021	Unit: RMB
Item	Note	This Period	Previous period
I. Operating Income	V. (41)	2,046,593,854.54	1,910,057,797.76
Less: Operating Costs	V. (41)	1,707,978,875.06	1,532,234,831.95
Tax and Surcharges	V. (42)	5,062,236.93	5,073,777.08
Cost of Sales	V. (43)	113,898,321.61	126,221,466.36
Administrative expenses	V. (44)	86,518,106.50	56,889,440.22
R&D expenses	V. (45)	13,803,100.25	9,473,965.74
Financial expenses	V. (46)	70,938,989.00	48,368,995.17
Where: Interest expenses	V. (46)	81,214,179.28	57,775,742.77
Interest income	V. (46)	12,182,834.22	10,937,960.85
Add: Other income	V. (47)	1,263,577.90	627,277.73
Investment income (loss denoted by a "-")	V. (48)	231,037,351.40	12,911,873.02
Where: Share of profits in associates and joint ventures	V. (48)	231,037,351.40	12,911,873.02
Gains on derecognition of financial assets measured at amortised cost (loss denoted by a "-")			
Gains on net exposure hedge (loss denoted by a "-")			
Income from changes in fair value (loss denoted by a "-")			
Loss on Credit Impairment (loss denoted by a "-")	V. (49)	-2,631,949.97	2,589,150.54
Loss on Asset Impairment (loss denoted by a "-")	V. (50)	38,364.90	-584.98
Income from disposal of assets (loss denoted by a "-")	V. (51)	3,943,005.79	-11,476.49
II. Operating profit (loss denoted by a "-")		282,044,575.21	147,911,561.02
Add: Non-operating income	V. (52)	491,802.61	1,669,043.41
Less: Non-operating expenses	V. (53)	4,467,145.71	210,701.80
III. Total profit (total losses denoted by a "-")		278,069,232.11	149,369,902.63
Less: Income tax expenses	V. (54)	83,852,774.76	39,706,494.42
IV. Net profit (net loss denoted by "-")		194,216,457.35	109,663,408.21
(1) By continuity of operations:			
1. Net profit from continuing operations (net loss denoted by a "-")			
2. Net profit from discontinued operations (net loss denoted by a "-")			
(2) By Ownership:			
1. Net profit attributable to shareholders of Parent Company (net loss denoted by a "-")		176,750,481.20	78,016,729.24
2. Profits and losses attributable to minority interests (net loss denoted by a "-")		17,465,976.15	31,646,678.97
V. Other comprehensive income, net of tax		-80,531.52	-71,303.95
(1) Net other comprehensive income after tax attributable to shareholders of parent company		-80,531.52	-71,303.95
1. Other comprehensive income that will not be reclassified to profit or loss		-80,531.52	-71,303.95
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income that will not be reclassified to profit or loss under the equity method			
(3) Other equity instrument investments - Changes in fair value		-80,531.52	-71,303.95
(4) Changes in the fair value of the business's own credit risk			
2. Other comprehensive income that will be reclassified to profit or loss			
(1) Other comprehensive income that may be reclassified to profit or loss under the equity method			
(2) Change in fair value of other debt investments			
(3) Amount of financial assets reclassified to other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedge reserve (Effective portion of cash flow adjusted for hedging gains or losses)			
(6) Exchange differences from retranslation of financial statements			
(7) Others			
(2) Other comprehensive income attributable to minority shareholders, net of tax			
VI. Total comprehensive income		194,135,925.83	109,592,104.26
(1) Total comprehensive income attributable to the shareholders of the parent company		176,669,949.68	77,945,425.29
(2) Total comprehensive income attributable to minority shareholders		17,465,976.15	31,646,678.97
VII. Earnings per share			
(1) Basic earnings per share		0.20	0.09
(2) Diluted earnings per share		0.20	0.09

Parent Company Income Statement			
Prepared by: Shandong Shengli Co., Ltd.		Jan - Jun 2021	Unit: RMB
Item	Note	This Period	Previous period
I. Operating Income	XIII. (4)	256,724,636.60	221,800,968.96
Less: Operating Costs	XIII. (4)	254,373,985.77	218,791,069.23
Tax and Surcharges		85,721.38	208,520.54
Cost of Sales		435.00	570.18
Administrative expenses		33,524,382.41	12,092,881.85
R&D expenses			
Financial expenses		43,139,699.53	26,372,043.46
Where: Interest expenses		50,174,246.42	32,428,942.05
Interest income		7,162,655.61	6,140,091.53
Add: Other income		65,400.00	61,398.81
Investment income (loss denoted by a "-")	XIII. (5)	147,400,611.10	41,981,433.70
Where: Share of profits in associates and joint ventures		117,741,870.34	12,570,062.30
Gains on derecognition of financial assets measured at amortised cost (loss denoted by a "-")			
Gains on net exposure hedge (loss denoted by a "-")			
Income from changes in fair value (loss denoted by a "-")			
Loss on Credit Impairment (loss denoted by a "-")		-1,888,722.21	1,286,127.80
Loss on Asset Impairment (loss denoted by a "-")			
Income from disposal of assets (loss denoted by a "-")		3,938,285.60	
II. Operating profit (loss denoted by a "-")		75,115,987.00	7,664,844.01
Add: Non-operating income		238.00	129,385.24
Less: Non-operating expenses		10.80	
III. Total profit (total losses denoted by a "-")		75,116,214.20	7,794,229.25
Less: Income tax expenses		51,904,948.21	318,031.95
IV. Net profit (net loss denoted by "-")		23,211,265.99	7,476,197.30
(1) Net profit from continuing operations (net loss denoted by a "-")		23,211,265.99	7,476,197.30
(2) Net profit from discontinued operations (net loss denoted by "-")			
V. Other comprehensive income, net of tax		-80,531.52	-71,303.95
(1) Other comprehensive income that will not be reclassified to profit or loss		-80,531.52	-71,303.95
1. Remeasurement of changes in defined benefit plans			
2. Other comprehensive income that will not be reclassified to profit or loss under the equity method			
3. Other equity instrument investments - Changes in fair value		-80,531.52	-71,303.95
4. Changes in the fair value of the business's own credit risk			
(2) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Change in fair value of other debt investments			
3. Amount of financial assets reclassified to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve (Effective portion of cash flow adjusted for hedging gains or losses)			
6. Exchange differences from retranslation of financial statements			
7. Others			
VI. Total comprehensive income		23,130,734.47	7,404,893.35
VII. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Consolidated Cash Flow Statement			
Prepared by: Shandong Shengli Co., Ltd.		Jan - Jun 2021	Unit: RMB
Item	Note	This Period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		2,727,320,619.17	2,004,911,438.07
Tax rebates received		263,460.95	546,130.95
Other cash received relating to operating activities	V. (55)	9,266,211.72	11,599,510.18
Sub-total of cash inflows from operating activities		2,736,850,291.84	2,017,057,079.20
Cash paid for goods and services		2,527,954,216.19	1,629,025,181.22
Cash paid to and for employees		127,518,146.07	103,805,940.70
Cash paid for taxes and surcharges		42,002,236.42	64,243,196.59
Other cash paid relating to operating activities	V. (55)	70,999,662.74	76,754,434.18
Sub-total of cash outflows from operating activities		2,768,474,261.42	1,873,828,752.69
Net cash flows from operating activities		-31,623,969.58	143,228,326.51
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments			439,400.00
Cash received from returns on investments		110,215,135.02	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		175,450.00	237,099.46
Net cash received from disposal of subsidiaries and other operating entities			1,810,000.00
Other cash received relating to investing activities	V. (55)	10,024,451.00	
Sub-total of cash inflows from investing activities		120,415,036.02	2,486,499.46
Cash paid to acquire fixed assets, intangible assets and other long-term assets		121,599,559.48	131,077,298.15
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities		15,000,000.00	63,847,812.52
Other cash paid relating to investing activities	V. (55)		
Sub-total of cash outflows from investing activities		136,599,559.48	194,925,110.67
Net cash flows from investing activities		-16,184,523.46	-192,438,611.21
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions			
Where: Cash received by subsidiaries from minority shareholders' investments			
Cash received from borrowings		1,258,927,440.00	1,409,450,000.00
Other cash received relating to financing activities	V. (55)		30,000,000.00
Sub-total of cash inflow from financing activities		1,258,927,440.00	1,439,450,000.00
Cash repayments of amounts borrowed		1,270,448,333.33	1,144,413,333.33
Cash paid for dividends, profit and interest		103,709,114.80	120,946,952.72
Where: Dividends and profits paid by subsidiaries to minority shareholders		6,173,524.94	32,569,609.70
Other cash paid relating to financing activities	V. (55)	19,230,280.21	123,620,000.00
Sub-total of cash outflow from financing activities		1,393,387,728.34	1,388,980,286.05
Net cash flows from financing activities		-134,460,288.34	50,469,713.95
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			324.93
V. Net increase in cash and cash equivalents		-182,268,781.38	1,259,754.18
Add: Cash and cash equivalents at beginning of period		452,776,929.69	548,012,544.63
VI. Closing balance of cash and cash equivalents		270,508,148.31	549,272,298.81



Parent Company Cash Flow Statement			
Prepared by: Shandong Shengli Co., Ltd.		Jan - Jun 2021	Unit: RMB
Item	Note	This Period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash generated from sale of goods and rendering of services		211,864,964.30	169,905,189.77
Tax rebates received			35,715.30
Other cash received relating to operating activities		3,573,339.97	8,695,772.61
Sub-total of cash inflows from operating activities		215,438,304.27	178,636,677.68
Cash paid for goods and services		210,891,777.97	157,955,500.00
Cash paid to and for employees		19,962,171.13	13,894,446.97
Cash paid for taxes and surcharges		1,236,741.37	2,430,127.63
Other cash paid relating to operating activities		4,632,426.12	3,770,649.31
Sub-total of cash outflows from operating activities		236,723,116.59	178,050,723.91
Net cash flows from operating activities		-21,284,812.32	585,953.77
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments			
Cash received from returns on investments		85,673,875.78	18,737,436.53
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			850,000.00
Other cash received relating to investing activities		24,451.00	97,647,766.47
Sub-total of cash inflows from investing activities		85,698,326.78	117,235,203.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		6,296.75	44,658.00
Cash paid to acquire investments			13,780,000.00
Net cash paid to acquire subsidiaries and other operating entities		15,000,000.00	65,847,812.52
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		15,006,296.75	79,672,470.52
Net cash flows from investing activities		70,692,030.03	37,562,732.48
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions			
Cash received from borrowings		963,660,000.00	968,000,000.00
Other cash received relating to financing activities		7,439,446.05	71,000,000.00
Sub-total of cash inflow from financing activities		971,099,446.05	1,039,000,000.00
Cash repayments of amounts borrowed		1,003,948,333.33	900,913,333.33
Cash paid for dividends, profit and interest		68,136,125.87	63,400,043.84
Other cash paid relating to financing activities			30,340,000.00
Sub-total of cash outflow from financing activities		1,072,084,459.20	994,653,377.17
Net cash flows from financing activities		-100,985,013.15	44,346,622.83
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			324.93
V. Net increase in cash and cash equivalents		-51,577,795.44	82,495,634.01
Add: Cash and cash equivalents at beginning of period		146,346,883.00	165,654,727.89
VI. Closing balance of cash and cash equivalents		94,769,087.56	248,150,361.90

Shandong Shengli Co., Ltd. 2021 Interim Report

Item	This Period										Total shareholders' equity	
	Equity attributable to the Shareholders of the Parent Company											Minority stockholders' interest
	Share capital	Preference shares	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Subtotal		
Prepared by: Shandong Shengli Co., Ltd.	880,084,656.00			952,779,851.16		-18,953,944.10	14,737,439.57	151,979,862.63	477,074,696.98	2,457,702,562.24	443,699,198.92	2,901,401,761.16
I. Closing balance of previous year	880,084,656.00			952,779,851.16		-18,953,944.10	14,737,439.57	151,979,862.63	477,074,696.98	2,457,702,562.24	443,699,198.92	2,901,401,761.16
II. Add: Change in Accounting Policies												
Correction of Errors in the Previous Period												
Combination under common control												
Other												
III. Opening balance of the year	880,084,656.00			952,779,851.16		-18,953,944.10	14,737,439.57	151,979,862.63	477,074,696.98	2,457,702,562.24	443,699,198.92	2,901,401,761.16
IV. Movements during the period (Decrease denoted by a "-")						-80,531.52	2,734,239.57		159,148,788.08	161,802,496.13	12,757,088.67	174,559,534.86
(1) Total comprehensive income						-80,531.52			176,750,481.20	176,669,949.68	17,465,976.15	194,135,925.83
(2) Contribution and withdrawal of capital by shareholders												
1. Common stock contributed by shareholders												
2. Proceeds from other equity instruments holders												
3. Share-based payment recorded in owners' equity												
4. Others												
(3) Appropriation of profits									-17,601,693.12	-17,601,693.12	-6,173,524.94	-23,775,218.06
1. Appropriation to surplus reserves												
2. Distributions to shareholders									-17,601,693.12	-17,601,693.12	-6,173,524.94	-23,775,218.06
3. Others												
(4) Internal carry-over of shareholders' equity												
1. Transfer of capital reserve to share capital												
2. Transfer of surplus reserves to share capital												
3. Making up of losses with surplus reserves												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Transfer of other comprehensive income to retained earnings												
6. Others												
(5) Special Reserves							2,734,239.57			2,734,239.57	1,293,986.76	4,028,226.33
1. Appropriation during the period							9,552,023.54			9,552,023.54	3,974,314.16	13,526,337.70
2. Utilization during the period							6,817,783.97			6,817,783.97	2,677,327.40	9,495,111.37
(6) Others											170,600.70	170,600.70
V. Closing Balance of the period	880,084,656.00			952,779,851.16		-19,034,475.62	17,471,679.14	151,979,862.63	636,223,485.06	2,619,505,058.37	456,456,237.59	3,075,961,295.99

## Consolidated Statement of Changes of Shareholders' Equity

Jan - Jun 2021

Unit: RMB

## Shandong Shengli Co., Ltd. 2021 Interim Report

Consolidated Statement of Changes of Shareholders' Equity												Unit: RMB
Item	Equity attributable to the Shareholders of the Parent Company											Total shareholders' equity
	Share capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Subtotal	Minority stockholder's interest	
		Preference shares	Perpetual bonds									
I. Closing balance of previous year	880,084,656.00			1,012,992,291.05		335,580.78	11,057,440.09	139,973,677.38	377,569,059.69	2,422,019,704.99	489,973,384.91	2,911,993,089.90
Add: Change in Accounting Policies												
Correction of errors in the Previous Period												
Combination under common control												
Other												
II. Opening balance of the year	880,084,656.00			1,012,992,291.05		335,580.78	11,057,440.09	139,973,677.38	377,569,059.69	2,422,019,704.99	489,973,384.91	2,911,993,089.90
III. Movements during the period (decrease denoted by a "-")				-9,020,309.25	-71,303.95	-71,303.95	4,028,554.29		47,213,715.50	42,150,716.55	-735,863.08	41,414,853.47
(1) Total comprehensive income					-71,303.95	-71,303.95			78,016,729.24	77,945,425.29	31,646,678.97	109,592,104.26
(2) Contribution and withdrawal of capital by shareholders												
1. Common stock contributed by shareholders												
2. Proceeds from other equity instruments holders												
3. Share-based payment recorded in owners' equity												
4. Others												
(3) Appropriation of profits									-30,802,953.74	-30,802,953.74	-29,932,492.72	-60,735,446.46
1. Appropriation to surplus reserves												
2. Distributions to shareholders												
3. Others												
(4) Internal carry-over of shareholders' equity												
1. Transfer of capital reserve to share capital												
2. Transfer of surplus reserves to share capital												
3. Making up of losses with surplus reserves												
4. Transfer of changes in defined benefit plans to retained earnings												
5. Transfer of other comprehensive income to retained earnings												
6. Others												
(5) Special Reserves							4,028,554.29			4,028,554.29	2,172,862.76	6,201,417.05
1. Appropriation during the period							10,833,176.74			10,833,176.74	4,315,933.57	14,749,110.31
2. Utilization during the period							6,404,622.45			6,404,622.45	2,145,070.81	8,547,693.26
(6) Others												
				-9,020,309.25						-9,020,309.29	-4,622,912.09	-13,643,221.38
IV. Closing Balance of the period	880,084,656.00			1,003,971,981.74		264,276.83	15,085,994.38	139,973,677.38	424,782,835.19	2,464,170,421.54	489,237,521.83	2,953,407,943.37

Item	This Period						Total shareholders' equity
	Share capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	
		Preference shares	Perpetual bonds				
I. Closing balance of previous year	880,084,656.00			1,029,684,738.55		-18,953,944.10	2,312,893,987.40
Add: Change in Accounting Policies							
Correction of Errors in the Previous Period							
Other							
II. Opening balance of the year	880,084,656.00			1,029,684,738.55		-18,953,944.10	2,312,893,987.40
III. Movements during the period (decrease denoted by a "-")						-80,531.52	5,529,041.32
(1) Total comprehensive income						-80,531.52	23,130,794.47
(2) Contribution and withdrawal of capital by shareholders							
1. Common stock contributed by shareholders							
2. Proceeds from other equity instruments holders							
3. Share-based payment recorded in owners' equity							
4. Others							
(3) Appropriation of profits							
1. Appropriation to surplus reserves							-17,601,693.12
2. Distributions to shareholders							-17,601,693.12
3. Others							
(4) Internal carry-over of shareholders' equity							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserves to share capital							
3. Making up of losses with surplus reserves							
4. Transfer of changes in defined benefit plans to retained earnings							
5. Transfer of other comprehensive income to retained earnings							
6. Others							
(5) Special Reserves							
1. Appropriation during the period							
2. Utilization during the period							
(6) Others							
IV. Closing Balance of the period	880,084,656.00			1,029,684,738.55		-19,034,475.62	2,318,423,028.72

Prepared by: Shandong Shengli Co., Ltd.

Jan - Jun 2021

## Statement of Changes of Shareholders' Equity of Parent Company

Unit: RMB

Shandong Shengli Co., Ltd. 2021 Interim Report

Statement of Changes of Shareholders' Equity of Parent Company										Unit: RMB	
Item	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserves	Surplus reserve	Retained profits	Total shareholders' equity
		Preference shares	Perpetual bonds	Other							
I. Closing balance of previous year	880,084,656.00				1,029,006,838.54		335,580.78	139,548,667.68	193,270,970.53	2,242,245,713.53	
Add: Change in Accounting Policies											
Correction of Errors in the Previous Period											
Other											
II. Opening balance of the year	880,084,656.00				1,029,006,838.54		335,580.78	139,548,667.68	193,270,970.53	2,242,245,713.53	
III. Movements during the period (decrease denoted by a "-")							-71,303.95		-23,326,756.44	-23,398,060.39	
(1) Total comprehensive income							-71,303.95		7,476,197.30	7,404,893.35	
(2) Contribution and withdrawal of capital by shareholders											
1. Common stock contributed by shareholders											
2. Proceeds from other equity instruments holders											
3. Share-based payment recorded in owners' equity											
4. Others											
(3) Appropriation of profits									-30,802,953.74	-30,802,953.74	
1. Appropriation to surplus reserves											
2. Distributions to shareholders									-30,802,953.74	-30,802,953.74	
3. Others											
(4) Internal carry-over of shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserves to share capital											
3. Making up of losses with surplus reserves											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
(5) Special Reserves											
1. Appropriation during the period											
2. Utilization during the period											
(6) Others											
IV. Closing Balance of the period	880,084,656.00				1,029,006,838.54		264,276.83	139,548,667.68	169,944,214.09	2,218,847,653.14	

## Notes to Financial Statements of Shandong Shengli Co. Ltd.

(Expressed in RMB Yuan in these notes, unless otherwise stated)

### I. Basic Corporate Information

Shandong Shengli Co., Ltd. (the "Company") was established by Shandong Shengli Group Company alone on 8 February 1994 as approved by Shandong Provincial Economic System Reform Commission under the document numbered Lu Ti Gai Sheng Zi (1994) No. 39, and formally established as a joint stock company under the document numbered Lu Ti Gai Sheng Zi (1994) No. 103 on 26 April 1994. The Company's A shares were listed on the Shenzhen Stock Exchange on 3 July, 1996 under the short stock name of "Shengli Gufen" and stock code: 000407. The Company's Uniform Social Credit Code: 91370000163074944M.

Registered address: 32nd Floor, Block B, Building 1, Jinan Yaogu, Gangxing 3rd (North) Road, Hi-Tech District, Jinan City, Shandong Province.

Scope of Business: Gas business (natural gas, CNG, vehicle gas refueling, valid for the period stated on the license). Equity investment management; Technological consultation, development and transfer; research, production, sales and installation of plastic products; self-managed import and export business and sales of chemical products (excluding dangerous chemicals); real estate development and earthworks. (The items that requires approval by law can only be dealt in after being approved by the relevant departments.)

For details of the subsidiaries included in the scope of consolidation of the Company, please refer to Notes "VI. Changes in Scope of Consolidation" and "VII. Interests in Other Entities".

The financial statements were published by the Board of Directors of the Company according to its resolution dated 25 August 2021.

### II. Basis of Preparation of Financial Statements

(1) Basis of Preparation: The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises - Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively the "ASBEs"), and on the basis of the significant accounting policies and accounting estimates described below.

(2) Going Concern:

The Company has had the ability to continue as a going concern for at least 12 months from the end of the reporting period and there are no material events affecting the ability to continue as a going concern.

### III. Significant accounting policies and estimates

(1) Statement of compliance with corporate accounting standards

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 30 June 2021, and operating results and cash flows in the first half of 2020, as well as other relevant information.

(2) Accounting Period

The accounting year of the Company begins on January 1 and ends on December 31.

(III) Operating Cycle

The Company takes one year or 12 months as its normal operating cycle that serves as the division standard for the liquidity of assets and liabilities.

#### (IV) Reporting Currency

The Company uses Renminbi as its reporting currency.

#### (V) Business combinations

##### 1. Business combination under common control

For long-term equity investments resulting from a business combination under common control where the acquirer pays cash, transfers non-cash assets or assumes debts as consideration for the combination, the Company's share of the carrying value of the owner's equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of the combination is used as the initial investment cost of the long-term equity investment. In case the acquirer pays the consideration for the combination by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve; or against the retained earnings of the Company in case of insufficient capital reserve.

##### 2. Business combination not under common control

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Identifiable assets, liabilities and contingent liabilities of the acquiree acquired in a business combination not under common control that meet the criteria for recognition are measured at fair value at the date of acquisition. Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised as goodwill. Where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised in the non-operating income for the current period if confirmed after review.

#### (6) Preparation of Consolidated Financial Statements

##### 1. Scope of Consolidated Financial Statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

##### 2. Harmonisation of Accounting Policies, Balance Sheet Date and Accounting Period Between Parent Company and its Subsidiaries

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods.

##### 3. Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the financial statements of the company and subsidiaries, which offset the internal transactions incurred between the company and subsidiaries and between subsidiaries. The portion of a subsidiary's equity that is not attributable to the company is treated as minority interests and presented as "minority interest" in the consolidated balance sheet under Minority Stockholder's Interest. Long-term equity investments in the Company held by the subsidiaries are treated as treasury stock of the Company and presented in "Less: Treasury Stock" as a deduction from shareholders' equity in the consolidated balance sheet under Shareholders' Equity.

##### 4. Accounting treatment of subsidiaries acquired from business combination

For a subsidiary acquired in a business combination under common control, the assets, liabilities, operating results and cash flows of the subsidiary are included in the consolidated financial statements starting from the beginning of the period of the combination, as if the business combination had occurred from the time the ultimate controlling party assumed effective control; For subsidiaries acquired through business combination not under common control, in preparing the financial statements, their individual financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

#### 5. Accounting Treatment of Disposal of Subsidiaries

As for the difference between the disposal price received from the partial disposal of an long-term equity investment in a subsidiary without loss of control and shares of the subsidiary's net assets (which is calculated on an ongoing basis from the acquisition date or the combination date) corresponding to the disposal of the long-term equity investment, it shall be adjusted against the capital reserves (capital premium or equity premium) in the consolidated balance sheet, and adjusted against retained earnings if the capital reserves is insufficient.

Where control over an investee is lost due to partial disposal of the equity investment or any other reasons, the remaining equity shall be remeasured at fair value on the date in which control is lost when preparing consolidated financial statements. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company calculated on an continuous basis since the acquisition date or on the combination date, is recognised as the investment income for the period when the control is lost and offset against goodwill. Other comprehensive income related to equity investments in ex-subsidiaries, among others, is transferred to investment income for the period when the control is lost.

#### (VII) Classification of joint arrangements and accounting treatment for joint operations

##### 1. Classification of joint arrangements

Joint arrangements are classified as joint operation and joint ventures. Joint arrangements established not through separate entities are classified as joint operations. Separate entities refer to the entities with separate identifiable financial architecture including separate legal entities and legally recognised entities without the qualification of legal entity. Joint arrangements established through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties under a joint arrangement due to changes in relevant facts and circumstances, the parties will reassess the classification of joint arrangements.

##### 2. Accounting treatment for joint operations

The Company as a party to a joint operation should recognise the following items in relation to their share of interest in joint operation, and accounts for them in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: its separate assets or liabilities held, and recognise the assets or liabilities jointly held according to their respective shares; incomes from sale of output from the joint operation it receives on a pro-rata basis; incomes attributable to it on a pro-rata basis as a result of the sale of output from the joint operation; and expenses incurred solely by it and those incurred by the joint operation on a pro-rata basis.

In case the Company is a party to a joint operation not under common control, if it is entitled to relevant assets and undertakes relevant liabilities of the joint operation, accounting will be carried out with reference to the provisions applicable to the parties of joint operation; otherwise, it should be subject to relevant requirements under the ASBEs.

##### 3. Accounting treatment for joint ventures

If the Company is a party to a joint venture, it shall account for its investment in the joint venture in accordance with the provisions of ASBE No. 2, "Long-term equity investment", and if the Company is not a party to a joint venture, it shall account for the joint venture according to the extent of its influence over the joint venture.

#### (VIII) Recognition Criteria for cash and cash equivalents

Cash determined in the preparation of statement of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statement of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

#### (9) Foreign currency transactions and translation of foreign currency financial statement

##### 1. Translation of foreign currency transactions

A foreign currency transaction is translated to its reporting currency for accounting purpose using the exchange rate prevailing on the date of the transaction. Any exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used at its initial recognition or on the last balance sheet date shall be recognised in profit or loss



for the period, except for those arising from specific borrowings denominated in foreign currency and qualified for capitalisation, which are capitalised as cost of the related assets during the capitalisation period. A non-monetary item denominated in foreign currency measured at historical cost shall be translated using the spot exchange rate prevailing on the date when a transaction occurs and the amount of its reporting currency shall remain unchanged. A non-monetary item denominated in foreign currency at fair value shall be translated using the spot rate on the date when its fair value is determined, and the resulting exchange difference between the amount in the reporting currency after translation and the original amount in the reporting currency shall be recognised as changes in fair value (including change of exchange rate) in profit or loss for the period or in other comprehensive income.

#### 2. Translation of foreign currency financial statement

If the subsidiaries, joint ventures and associates of the Company are different from Company in terms of reporting currency, the Company shall translate their foreign currency financial statements before accounting for them and preparing the consolidated financial statements. Assets and liabilities in the balance sheet shall be translated using the spot exchange rates on the balance sheet date; except retained profit, items under owner's equity shall be translated using spot exchange rates at occurrence.

Income and expense items in the income statement shall be translated using the spot exchange rates on their transaction dates. Translation differences arising from the translation of foreign currency financial statements are presented in the balance sheet under Other Comprehensive Income in Owners' Equity. Cash flow dominated in foreign currency shall be translated using the spot rates at occurrences. The effects of exchange rate changes on cash are presented separately in the cash flow statement. On disposal of a foreign operation, the difference from translation of foreign currency statement relating to the foreign operation is transferred to profit or loss for the period of disposal, either in full or in proportion to the disposed portion of the foreign operation.

### (X) Financial Instruments

#### 1. Classification and recognition of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

##### (1) Financial Assets

The Company classifies a financial asset as a financial asset measured at amortised cost if it also meets the following criteria: (1) The Company's business model for managing this financial asset is to collect contractual cash flows; (2) The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

The Company classifies financial assets as financial assets measured at fair value through other comprehensive income if they also meet the following criteria: (1) The Company's business model for managing this financial assets is to both receive its contractual cash flows and sell this financial asset; (2) The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

For investments in non-trading equity instruments, the Company may irrevocably designate them as financial assets at fair value through other comprehensive income on initial recognition. Such designation is made on individual basis and underlying investment meets the definition of an equity instrument from the issuer's perspective.

Financial assets other than those classified as financial assets at amortised cost and those at fair value through other comprehensive income are classified by the Company as financial assets at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset as at fair value through profit or loss if it can eliminate or reduce accounting mismatches.

When the Company changes its business model for managing financial assets, it reclassifies all affected underlying financial assets at the first day of the first reporting period following the change in business model and applies the related accounting treatment from the date of reclassification on a

prospective basis without retrospective adjustment to previously recognised gains, losses (including impairment losses or gains) or interest.

(2) Financial liabilities

Financial liabilities are classified on initial recognition as: Financial liabilities at fair value through profit or loss; Financial liabilities arising when the transfer of financial assets do not qualify for derecognition or involve financial liabilities transferred; Financial liabilities at amortised cost. All financial liabilities are not reclassified.

2. Measurement of financial instruments

The Company measures its financial instruments at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, related transaction costs are charged directly to profit or loss for the period. For other types of financial assets or financial liabilities, related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

(1) Financial Assets

(1) Financial assets at amortised cost. Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost that are not the subject of any hedging relationship are recognised in profit or loss for the period when derecognised, reclassified, amortised under the effective interest method or impaired.

(2) Financial assets at fair value through profit or loss. Subsequent to initial recognition, financial assets in this category (except for the portion of financial assets that is part of a hedging relationship) are subsequently measured at fair value, with the resulting gain or loss (including interest and dividend income) recognised in profit or loss for the period.

(3) Debt instrument investment at fair value through other comprehensive income. Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain and loss calculated using the effective interest method is recognised in profit or loss for the period when they incur, and other gains or losses are all recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out from other comprehensive income and recognised in profit or loss for the period when they incur.

(2) Financial liabilities

(1) Financial liabilities at fair value through profit or loss. Such financial liabilities comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value and gains or losses (including interest expense) arising from changes in the fair value of financial liabilities held for trading are recognised in profit or loss for the period, except when they relate to hedge accounting. Where a financial liability is designated as at fair value through profit or loss, the amount of change in the fair value of that financial liability arising from changes in the Company's own credit risk is recognised in other comprehensive income and other changes in fair value are recognised in profit or loss for the period. If the effect of changes in the financial liability's own credit risk included in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Company includes all gains or losses on the financial liability in profit or loss for the period.

(2) Financial liabilities at amortised cost. Subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

3. How the Company determines the fair value of financial instruments

Where there is an active market for a financial instrument, the Company uses quoted prices in the active market to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market. Valuation techniques mainly include market method, income method and cost method. In limited cases, if the short-term

information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution. The Company uses all information available after initial recognition regarding the investee's results and operations to determine whether the cost is representative of fair value.

#### 4. Basis for recognition and method for measurement of transfers of financial asset liabilities

##### (1) Financial Assets

The Company derecognises a financial asset when one of the following conditions is met: (1) the contractual right to receive cash flows from the financial asset is terminated; (2) the financial asset has been transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial asset; (3) the financial asset has been transferred, where the Company has neither transferred nor retained substantially all the reward on the ownership of the financial asset, but doesn't retain the control over the financial asset.

Where the Company neither transfers nor retains substantially all the rewards on ownership of a financial asset and retains control over the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset, and recognises the liability accordingly.

Where a transfer of a financial asset in its entirety satisfies the derecognition criteria, the Company recognises the difference between the following two amounts in profit or loss for the period: (1) the carrying amount of the transferred financial assets on the date of derecognition; (2) The sum of the consideration received for the transfer of the financial asset and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included directly in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

When the partial transfer of a financial asset satisfies the derecognition criteria, the overall carrying amount of the financial asset transferred is allocated between the derecognised portion and not derecognised portion by their respective fair values on the date of transfer first, and the difference between the two amounts below is then recognised in profit or loss for the period: (1) the carrying amount of the derecognised portion at the date of derecognition; (2) The sum of the consideration received for the derecognised part and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

Upon derecognition of an equity instrument investment not held for trading purpose designated by the Company as at fair value through other comprehensive income, the cumulative gain or loss previously included in other comprehensive income is transferred from other comprehensive income to retained earnings.

##### (2) Financial liabilities

If the present obligation of a financial liability (or part thereof) has been discharged, the Company derecognises the financial liability (or part thereof).

If a financial liability (or part thereof) is derecognised, the Company records the difference between its carrying amount and the consideration paid (including non-cash assets transferred or liabilities assumed) in profit or loss for the period.

#### (11) Method for determination of expected credit losses and accounting treatment

##### 1. Method for determination of expected credit losses

The Company accounts for financial assets (including receivables) measured at amortised cost, debt investments (including receivables financing) classified as at fair value through other comprehensive income, and lease receivables, on the basis of expected credit losses, and recognises a provision for impairment.

The Company assesses on each balance sheet date whether there has been a significant increase in the credit risk of the underlying financial instruments since initial recognition, dividing the process of credit impairment of financial instruments into three stages, with different accounting treatment for different stages of impairment of financial instruments: (1) In the first stage, if the

credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the provision for losses based on the expected credit loss of the financial instrument over the next 12 months and calculates interest income based on its carrying amount (i.e. before provision for impairment being made) and the effective interest rate; (2) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the Company measures the provision for losses based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its carrying amount and the effective interest rate; (3) In the third stage, if a credit impairment occurs after initial recognition, the Company measures the provision for loss based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its amortised cost (carrying amount less provision for impairment) and the effective interest rate.

(1) Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

A financial instrument is considered to have low credit risk if the risk of default is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong and, even if there are adverse changes in economic conditions and operating environment in the longer term, this may not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

(2) Method of measuring loss provision for accounts receivable and lease receivables

(1) Receivables without a significant financing component

For receivables without a significant financing component resulting from transactions subject to ASBE 14 - Revenue, the Company applies a simplified approach whereby the provision for losses is always measured on the basis of expected credit losses over the entire life of the receivable.

(2) Receivables with significant financing components and lease receivables

For receivables with significant financing components and lease receivables subject to ASBE 21 - Leases, the Company measures the provision for losses in accordance with the general method, i.e. the "three-stage" model.

(3) Method of measuring loss provision for other financial assets

For financial assets other than those mentioned above, such as: Debt investments, other debt investments, other receivables, and long-term receivables other than lease receivables among others, the Company measures their provision for losses in accordance with the general method, i.e. the "three-stage" model.

2. Accounting method for expected credit loss

To reflect changes in the credit risk of a financial instrument since initial recognition, the Company re-measures the expected credit losses on each balance sheet date. The resulting increase or reversal in the provision for losses is recognised as an impairment loss or gain in profit or loss for the period and is offset against the carrying amount of the financial asset as shown in the balance sheet, or included in the expected liabilities (loan commitments or financial guarantee contracts) or in other comprehensive income (debt investments at fair value through other comprehensive income), depending on the type of financial instrument.

(12) Inventories

1. Classification of inventories

Inventories means, among others, finished goods or merchandise held for sale in the ordinary course of business, unfinished connection works, materials or supplies used in the process of production or rendering of services. These include, among others, raw materials, packaging, low-value consumables, in-process products and finished goods (inventory goods).

2. Accounting method for dispatching inventories

When inventories are dispatched, the weighted-average method is used to determine the actual cost of the dispatch. 3. Method of provision for decline in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realisable value. The provision for decline in value of inventories is made on an item-by-item basis. The provision for decline in the value of inventories with large quantity and of low unit cost is made according to their inventory category.

#### 4. Inventory count system

The Company adopts a perpetual inventory count system.

#### 5. Amortisation of low value consumables and packaging materials

Low-value consumables and packaging materials are amortised using one-off method.

#### (13) Contractual assets and contractual liabilities

##### 1. Contractual Assets

The Company presents as contractual assets rights to receive consideration for goods or services that have been transferred to customers (and that are dependent on factors other than the passage of time). Provision for impairment of contractual assets is made based on the expected credit loss method for financial instruments. For contractual assets that do not contain or have a significant financing component, the Company uses the simplified method to measure the provision for losses. For contractual assets that contain a significant financing component, the Company measures the provision for losses on a general basis.

An impairment loss on a contractual asset is debited to "Impairment loss on assets" and is credited to "provision for impairment of contractual assets" according to the amount written down. Reverse entries are made upon reversing a provision for impairment of an asset that has been made.

##### 2. Contractual liabilities

The Company presents as contractual liabilities obligations to transfer goods or provide services to customers for consideration received or receivable.

#### (14) Long-term equity investments

##### 1. Determination of initial investment cost

For long-term equity investment acquired through business combination, if under common control, the initial investment cost of the long-term equity investment represents the proportion of the carrying value of net assets acquired from the acquiree in the consolidated financial statements of the ultimate controlling party on the date of acquisition; if not under common control, the initial investment cost of long-term equity investment represents the combination cost determined on the date of acquisition; For long-term equity investments acquired by payment in cash, the initial investment cost represents the purchase price actually paid; For long-term equity investments acquired through the issue of equity securities, the initial investment cost represents the fair value of the equity securities issued; For the long-term equity investment acquired through debt restructuring, the initial investment cost of the long-term equity investment is determined in accordance with the relevant provisions of ASBE No. 12 - "Debt Restructuring"; For long-term equity investments acquired in exchange for non-monetary assets, the initial investment cost is determined in accordance with the relevant provisions of ASBE No. 7 - "Non-monetary Asset Exchanges".

##### 2. Subsequent measurement and recognition of profit or loss

Where the Company has control over an investee, the long-term equity investment in such investee is measured using the cost method. Long-term equity investments in associates and joint ventures shall be measured using the equity method. If a portion of the Company's equity investment in an associate is held indirectly through a venture capital entity, mutual fund, trust company or similar entity (including an investment-linked insurance fund), the Company shall, regardless of whether the above entities have significant influence over this portion of the investment, treat them in accordance with the relevant provisions of ASBE 22 - Recognition and Measurement of Financial Instruments, with the remainder accounted for using the equity method.

##### 3. Basis for determination of common control and significant influence over an investee:

Common control over an investee means that decisions on activities that materially affect the return on an arrangement must be made with the unanimous consent of the participants sharing control, including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities;

Significant influence over an investee refers to the following circumstances: when holding more than 20% but less than 50% of the shares with voting rights in the investee; or even if the shareholding is below 20%, there is still significant influence if any of the following conditions is met: hold a seat or more in the board of directors or similar governing body of the investee; Participate in the policy development process of the investee; Assign key management personnel to the investee; the investee relies on the technology or technical information of the investor; there are major transactions with the investee.

(15) Investment properties

The Company's investment properties are classified as land use rights for lease, buildings for lease and land use rights held for transfer upon appreciation. Investment properties are measured initially at cost and subsequently using the fair value model.

(16) Fixed assets

1. Criteria for recognition of fixed assets

Fixed assets are tangible assets held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognised when the following criteria are all met: it is likely that the economic benefits associated with the fixed asset will flow to the Company; the cost of the fixed asset can be measured reliably.

2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified as: buildings and structures, machinery and equipment, means of transportation, and gas transmission facilities among others; The fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Categories of Assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures (Note)	30—70	3	1.39 - 3.23
Machinery and equipment	8—20	3	4.85—12.13
Means of Transportation	6—10	3	9.70—16.17
Gas Transmission Facilities	14—30	3	3.23—6.93
Other	3—5	3	19.40—32.33

Notes: If the land on which the buildings and structure of the natural gas operation of the Company are located is leasehold land and it is not possible to obtain a title deed for the buildings and structure, the land is amortised based on the lease term in the land lease contract executed and the estimated net residual value is zero.

3. Basis for Recognition and Method for Pricing of Fixed Assets Leased in under Finance Lease

Fixed assets leased-in under finance lease are leases that transfer substantially all the risks and rewards associated with ownership of the assets. The initial valuation of a fixed asset leased in under finance lease is the lower of the fair value of the leased asset and the present value of the minimum lease payments at the commencement date of the lease;



The subsequent measurement of the fixed asset leased in under finance lease is consistent with the accounting policies adopted for self-owned fixed assets in respect of depreciation and provision for impairment.

(17) Construction in progress (CIP)

The Company has two types of construction in progress: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. The criteria for determining the readiness for its intended use shall be one of the following: the physical construction (including installation) of the fixed asset has been fully or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate properly or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; the amount of further expenditure on the fixed asset constructed is minimal or almost no longer occurs; The fixed asset acquired have met the design or contractual requirements, or are substantially in conformity with the design or contractual requirements.

(18) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalisation are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expenses as incurred and recognised in profit or loss for the period based on the amount incurred. Assets qualified for capitalisation are fixed assets, investment properties and inventories that require a substantial period of acquisition, construction or production activity to reach their intended useable or saleable condition.

2. Calculation of capitalisation amount

A capitalisation period refers to a period from the point at which a borrowing cost starts to be capitalised to the point at which it ceases to be capitalised. The period during which the borrowing cost suspend its capitalisation is not included. The capitalisation of the borrowing cost shall be suspended when the acquisition and production activities are interrupted abnormally for a period of more than three months.

For specific borrowings, the capitalised amount shall be the actual interest expense incurred for the specific borrowings, less the interest income from the unused funds of the borrowings deposited in bank or investment income from the temporary investments; for general borrowings, the weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from specific borrowings times the capitalization rate of the general borrowings so occupied; for borrowings with discount or premium, the discount or premium was amortised over the term of the borrowings to adjust the interest in every period using effective interest rate method.

The effective interest method is based on the effective interest rate of the borrowings to calculate the amortisation of discount or premium or interest expense. The effective interest rate is the rate in discounting the estimated future cash flows throughout the expected life of the borrowings to the current carrying amount of the borrowings.

(19) Intangible assets

1. Method for Valuation of Intangible Assets

The Company's intangible assets are initially measured at cost. Intangible assets acquired are measured at actual cost based on the actual price paid and related expenses. The actual cost of intangible assets contributed by investors is determined at the value agreed in the investment contract or agreement, unless the value agreed in the contract or agreement is not fair, where the actual cost is determined at fair value. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

The Company's intangible assets are measured subsequently as follows: Intangible assets with finite useful lives are amortised using the straight-line method; at the end of each year, the useful lives and amortization policy of the intangible assets are reviewed, and adjusted accordingly if any difference from the original estimates are identified; Intangible assets with infinite useful lives are not amortised, but their useful lives are reviewed at the end of the year and when there is conclusive

evidence that their useful lives are finite, they are amortised on a straight-line basis after their useful lives are determined.

#### 2. Basis for determination of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The basis for determination of infinite useful life is the useful life is derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; The duration of the intangible asset's economic benefit to the Company cannot be determined based on a combination of industry conditions or relevant expert opinions.

At the end of each year, the useful lives of intangible assets with infinite useful lives are reviewed, mainly on a bottom-up basis, by the departments concerned with the use of intangible assets, to evaluate whether there are changes in the basis for the determination of infinite useful lives.

#### 3. Specific criteria for the research and development phases of internal research and development projects, and specific criteria for capitalisation of development phase expenditures

Expenditure during the development stage are transferred to intangible assets if the criteria for recognition of intangible assets are satisfied; Development stage expenditures that meet the criteria for recognition as intangible assets are transferred to intangible assets for accounting purposes.

##### (20) Impairment of long term assets

Long-term assets such as long-term equity investments, fixed assets, construction in progress, intangible assets and goodwill are tested for impairment if there is any indication of impairment on the balance sheet date. If, as a result of an impairment test, the recoverable amount of an asset is less than its book value, an impairment charge is made for the difference and included in the impairment loss.

The recoverable amount is the higher of the asset's net fair value less disposal expenses and the present value of the asset's estimated future cash flows. The asset impairment charge is calculated and recognised on an individual asset basis. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of that asset group is determined by reference to the asset group to which that asset group belongs. An asset group is the smallest group of assets that can generate cash inflows independently.

Goodwill that is separately presented in the financial statements is tested for impairment at least annually, irrespective of whether there is any indication of impairment. On impairment testing, the carrying amount of goodwill is allocated to the asset group or group of asset groups that are expected to benefit from the synergies of the business combination. If the test indicates that the recoverable amount of the asset group or group of asset groups containing the goodwill being amortised is less than its carrying amount, a corresponding impairment loss is recognised. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or the group of asset groups, and then deducted from the book value of other assets within the asset groups or the group of asset groups in proportion to the book value of other assets.

An impairment loss of the above assets once recognised shall not be reversed in a subsequent period.

##### (21) Long-term deferred expenses

The Company's long-term deferred expenses are expenses that have been paid but the benefit period is over one year (not inclusive). Long-term deferred expenses are amortised over the benefit period. If a long-term deferred expense cannot benefit the future accounting period, the residue value of such item not amortised yet shall be all transferred to the profit or loss in the current period.

##### (22) Employee Benefits

Employee benefits are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee benefits mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### 1. Short-term Benefits

In the period of employee services, short-term benefits actually incurred are recognised as liabilities in profit or loss for the period, or charged to costs of related assets if otherwise required or



permitted by ASBEs. At occurrence, the Company recognises employee benefits in profit or loss for the period or charges to the costs of related assets as incurred. Employee benefits are measured at fair value if they are non-monetary in nature. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company shall calculate and recognise the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognise the corresponding liabilities in the accounting period in which employees render service, and recognise the same in profit or loss for the period or charge to costs of related assets.

#### 2. Post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution plan shall be recognised as a liability in profit and loss of current period or charged to the cost of related assets. Benefit obligations arising from defined benefit plans are attributed to employees over the period in which they render services and are included in profit or loss for the period or charged to the cost of the related assets in accordance with a formula determined under the projected unit credit method.

#### 3. Termination benefits

Termination benefits provided to employees by the Company are recognised as employee benefit liabilities arising from the termination benefits in profit or loss for the period at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; and when the Company recognises costs for restructuring involving the payment of termination costs.

#### 4. Other long-term staff benefits

Other long-term employee benefits provided by the Company to its employees that meet the criteria of the defined contribution plan are accounted for in accordance with the relevant provisions of the defined contribution plan; In addition, the Company recognises and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

#### (23) Revenue

The Company recognises revenue when it has fulfilled its contractual performance obligations, i.e., when the customer obtains control of the related goods or services, based on the transaction price apportioned to that performance obligation. Gaining control of the relevant goods means being able to dominate the use of the goods and derive almost all of the economic benefits from it. A performance obligation refers to a contractual commitment by the Company to transfer to customer a clearly distinguishable goods. Transaction price refers to the consideration that the Company is expected to receive due to the transfer of goods to customer, but it does not include payments received on behalf of third parties and amounts that the Company expects to return to the customer.

Otherwise, the Company recognises revenue at the point in time at which the customer obtains control of relevant assets. If a performance obligation is fulfilled over a certain period, the Company recognises revenue in accordance with the progress of performance. Otherwise, the Company recognises revenue at a point in time when customer obtains control of the underlying asset.

The Company's revenue consists primarily of revenue from sale of gas, sale of equipment materials and trading. Under the terms of a sales contract or agreement, the Company recognises revenue from the sale of natural gas at the Company's gas stations on a same-day basis, taking into account current right to receive the goods, transfer of the principal risks and rewards on ownership of the goods, transfer of legal title to the goods, transfer of the physical assets of the goods, and acceptance of the goods by customer. The prepayment method is adopted for the sale of natural gas through its pipeline network, whereby the Company bills a customer for the actual quantity of gas used and the customer signs the bill, which is used by the Company to recognise the revenue and to deduct the amount from the payment received upfront from the customer; Revenue from gas connection business is recognised when the completion of the connection project has been confirmed by the customer, the project has reached the readiness for gas supply and the project acceptance formalities have been completed; Revenues from sale of equipment materials and trading are recognised when a goods is dispatched and confirmation of its receipt is received from customer.

## (24) Contractual cost

The Company's contract costs include incremental costs incurred to acquire a contract and contract performance costs. Incremental costs incurred to acquire a contract ("contract acquisition costs") are costs that would not have been incurred without the acquisition of the contract. If the cost is expected to be recovered, the Company recognises it as a contract acquisition cost in assets.

Costs incurred by the Company to perform a contract that are not subject to other ASBEs, such as inventories, are recognised as a contract performance cost in assets if the following conditions are met:

1. The cost is directly related to a current or anticipated contract, and includes direct labor, direct materials, manufacturing costs (or similar expense), costs explicitly borne by customer, and other costs incurred solely as a result of that contract;
2. the cost increases the resources available to the Company in the future to meet its contractual obligations;
3. the cost is expected to be recovered.

Assets recognised for contract acquisition costs and contract performance costs ("assets related to contract costs") are amortised in profit or loss on the same basis as the revenue recognised for the goods to which the assets relate.

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment according to the excess and recognise it as asset impairment loss:

1. the remaining consideration expected to be received for the transfer of the goods to which the asset relates;
2. the estimated costs to be incurred for the transfer of the underlying goods.

## (25) Government grants

## 1. Types of government grants and accounting treatment

Government grants are monetary or non-monetary assets (but not capital contributed by the government as an owner) that the Company receives from the government at no cost. Government grants that are monetary assets shall be measured at the amount received or receivable. Government grants that are non-monetary assets are measured at fair value; If the fair value cannot be reliably obtained, it is measured at the nominal amount.

Government grants related to normal business course are included in other income in accordance with the nature of the economic operations. Government grants that are not related to normal business course are included in non-operating income and expenses.

Government grants that are explicitly provided in government documents for the acquisition or other formation of long-term assets are recognised as asset-related government grants. For a grant where the subject of the grant is not explicit specified in the government document, the part of the government grant corresponding to the value of the asset is treated as asset-related government grant and the rest as revenue-related government grant if it can form a long-term asset; For a grant that is not easily distinguishable, the government grant in a whole is treated as revenue-related government grant. Assets-related government grants are recognised as deferred income. The amount recognised as deferred revenue shall be recognised in profit or loss for the period by installments in a reasonable and systematic way over the useful life of the relevant assets.

Government grants other than asset-related ones are recognised as revenue-related government grants. Revenue-related grants used to compensate the related expenses or losses of the Company in subsequent periods are recognised as deferred revenue in profit or loss for the period when the related expenses are recognised; Government grants intended to cover related expenses or losses already incurred by the Company are directly recognised in profit or loss for the period.

In the event that the Company has policy-based preferential loan interest discount, if the fiscal authority allocates the subsidy for interests to the lending bank that grants loans to the Company at a preferential policy rate, and the Company recognises the borrowing at the amount actually received from the bank and calculates relevant borrowing costs based on the principal of the loan and the preferential policy rate; If the subsidy for interests are paid directly to the Company, the Company reduces the related borrowing costs by the amount of the corresponding subsidy for interests.

## 2. Timing of recognition of government grants

A government grant is recognised when the conditions attached to the government grant can be met and the grant is received or receivable. A government grant measured at the amount receivable is recognised when there is unambiguous evidence suggesting the satisfaction of the attached conditions as set out in the fiscal support policy and the grant fund is expected to be received.

Government grants other than those measured at the amount receivable will be recognised at the actual time of receiving such grants.

### (26) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount of assets and liabilities and its tax base (for items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognised as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. Deferred tax assets are recognised to the extent that it is likely that future taxable income will be available to offset deductible temporary differences. On the balance sheet date, deferred tax assets not recognised in prior period are recognised if there is conclusive evidence that sufficient taxable income is likely to be obtained in the future period to offset against deductible temporary differences. The carrying amount of deferred tax assets is reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised.

3. For taxable temporary difference related to the investments in subsidiaries and associates, the deferred income tax liabilities are recognised unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. For deductible temporary difference related to the investments in subsidiaries and associates, deferred income tax assets are recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and it is probable that future taxable income will be available against which the deductible temporary differences can be used.

### (27) Lease

#### 1. Identification of leases

At the inception date of a contract, the Company assesses whether the contract is a lease or contains a lease. If one of the parties to the contract has ceded the right to control the use of one or more identified assets for a period of time in exchange for consideration, the contract is a lease or contains a lease. To determine whether a contract cedes the right to control the use of an identified asset for a period of time, the Company assesses whether the customer under the contract is entitled to substantially all of the economic benefits arising from the use of the identified asset during the period of use and has the right to direct the use of the identified asset during that period of use.

#### 2. Identification of separate leases

Where a contract contains a number of separate leases at the same time, the Company splits the contract and accounts for each separate lease separately. The right to use an identified asset constitutes a separate lease under the contract if the following criteria are met: (1) a lessee can benefit from the use of such asset alone or in conjunction with other resources that are readily available; (2) that asset is not highly dependent or highly interrelated with other assets in the contract.

#### 3. Accounting for the Company as a lessee

At the commencement date of the lease term, the Company recognises leases that do not exceed 12 months in duration and do not contain a purchase option as short-term leases; the Company recognises a lease as a low-value asset lease if the underlying asset is of low value when it is new. Where a company subleases or expects to sublease a leased asset, the original lease is not recognised as a low-value asset lease.

For all short-term leases and low-value asset leases, the Company recognises lease payments in the cost of related assets or in profit or loss for the period on a straight-line basis for each period of the lease term.

Except for short-term leases and low-value asset leases for which simplified treatment is applied as described above, the Company recognises right-of-use assets and lease liabilities for leases at the inception date of the lease term.

Except for short-term leases and low-value asset leases for which simplified treatment is applied as described above, the Company recognises right-of-use assets and lease liabilities for leases at the inception date of the lease term. At the inception date of the lease, the Company recognises the present value of the outstanding lease payments as a lease liability. The discount rate used in calculating the present value of lease payments is the interest rate embedded in the lease or, if the interest rate embedded in the lease cannot be determined, the Company's incremental borrowing rate shall be used instead. The difference between the lease payments and their present value is recognised as an unrecognised finance charge, and interest expense is recognised in profit or loss over the respective periods of the lease at the discount rate that is used to determine the present value of the lease payments. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss for the period as incurred. After the commencement date of lease term, the Company remeasures the lease liability to reflect changes to the lease payments, if there is a change in the following items: (a) fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option.

#### 4. Accounting for lease modifications

##### (1) Lease modifications as a separate lease

The Company accounts for a modification to a lease as a separate lease when the modification to the lease occurs and the following conditions are met: a. the lease modification expands the scope of lease by adding the right to use one or more of the leased assets; b. The additional consideration is equivalent to the separate price of the extra scope of lease under the contract.

##### (2) A lease modification not treated as a separate lease

###### (1) The Company as a lessee

At the effective date of the lease modification, the Company re-determines the lease term and discounts the modified lease payments using a revised discount rate to re-measure the lease liability. In calculating the present value of the modified lease payments, the Company uses the interest rate embedded in the lease for the remaining lease term as the discount rate; If the interest rate embedded in the lease for the remaining lease term cannot be determined, the Company's incremental borrowing rate at the effective date of the lease modification is used as the discount rate. Regarding the impact of the above adjustment of lease liabilities, the Company distinguishes between the following cases for accounting treatment:

a. Where a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the carrying amount of the right-of-use asset and recognise in profit or loss for the period the gain or loss associated with the partial or complete termination of the lease.

b. For other lease modification, the Company adjusts the carrying amount of the right-of-use asset accordingly.

#### 5. Sale and Leaseback

##### The Company as the lease

Where the transfer of an asset in a sale and leaseback transaction is a sale, the Company measures the right-of-use asset arising as a result of such transaction at the portion of the original asset's carrying amount that relates to the right-of-use acquired by the leaseback and recognises a gain or loss on the transfer of the right to the lessor only.

If the fair value of the sales consideration differs from the fair value of the asset, or if the lessor does not receive rentals at market rates, the company accounts for the amount of the sales consideration that is lower than the market rate as prepaid rentals or the amount of the sales consideration that is higher than the market rate as additional financing provided by the lessor to the company. At the same time, the Company adjusts the gain or loss on related sales at fair value and the lessor adjusts the rental income at market price.

In making these adjustments, the Company bases the adjustment on the more readily determinable of: the difference between the fair value of the sales consideration and the fair value of the asset, and the difference between the present value of the payments in the lease contract and the present value of the payments calculated based on the market price of the lease.

Where the transfer of an asset in a sale-and-leaseback transaction is not a sale, the Company continues to recognise the asset transferred and also recognises a financial liability equal to the proceeds of the transfer and accounts for the financial liability in accordance with ASBE No. 22 - Recognition and Measurement of Financial Instruments.

## (28) Held for sale and discontinued operations

The Company classifies non-current assets or disposal groups as held for sale if both of the following criteria are satisfied: (1) The assets or disposal groups must be available for sale immediately under the current conditions according to the usual terms of the sale of such assets or disposal groups in similar transactions; (2) Sale is highly likely. That is to say, the Company has resolved on a plan to sell and has received a firm commitment to purchase, and the sale is expected to be completed within one year. If the regulations require the Company to have the approval of the relevant authority or supervisory authority before the sale can take place, such approval shall have been obtained.

If the carrying value of a non-current asset held for sale or disposal group is greater than the net value of its fair value less costs of sale as measured at its initial measurement or as remeasured on the balance sheet date, the carrying amount is written down to the net value of fair value less cost of sale, and the amount of the write-down shall be recognised as an impairment loss on the asset in profit or loss, and an impairment charge on the asset held for sale is recognised.

Non-current assets held for sale or assets in the disposal group held for sale are presented as held-for-sale assets in the balance sheet, and liabilities in the disposal group held for sale are presented as held-for-sale liabilities.

A discontinued operation is a separately identifiable component that satisfies one of the following conditions and which has been disposed of by the Company or classified by the Company as held for sale:

1. the component represents a separate principal business or a separate major business region;
2. This component is part of an associated plan to dispose of a separate principal business or a separate major business region;
3. The component is a subsidiary acquired specifically for resale.

## (29) Notes on changes in significant accounting policies and accounting estimates

## 1. Changes in accounting policy and their basis

The Company started to adopt 2018 revision of ASBE No. 21 - Lease ("New Lease Standard") issued by Ministry of Finance from 1 January 2021. The New Lease Standard requires the enterprises listed both domestically and internationally, as well as enterprises listed internationally that have adopted IFRSs or ASBEs in preparing their financial statements to implement the new lease standard from 1 January 2019; Other enterprises adopting ASBEs starts to implement the new lease standard from 1 January 2021. Accordingly, the Company will adjust its accounting policies accordingly in accordance with the above requirements. In accordance with the requirements of the above-mentioned standards and circular of the Ministry of Finance, the Company, as a domestically listed enterprise, will implement the new lease standards from 1 January 2021.

The main changes made by the new lease standard are:

(1) Under the new lease standard, a lessee will no longer distinguish between finance leases and operating leases, except for short-term leases and low-value asset leases, and all leases will be subject to the same accounting treatment, with both right-of-use assets and lease liabilities being recognised.

(2) For right-of-use assets, where the lessee can obtain ownership of the leased asset at the end of the lease term with reasonable certainty, depreciation shall be provided over the remaining useful life of the leased asset. Where it is not reasonably certain that title to a leased asset will be acquired at the end of the lease term, depreciation shall be made over the shorter of the lease term and the remaining useful life of the leased asset. The lessee is also required to determine whether the right-of-use asset is impaired and to account for any identified impairment loss.

(3) For lease liabilities, the lessee should calculate the interest expense on the lease liability for each period of the lease term and include it in the profit or loss for the period.

(4) For short-term leases and low-value asset lease, the lessee may elect not to recognise the right-of-use asset and the lease liability and include them in the cost of the related asset or current profit or loss in each period of the lease term on a straight-line basis or other systematic and reasonable basis. In accordance with the requirements of the new lease standard and Listing Rules, the relevant content about lease shall be adjusted in the disclosed financial report. Under the new lease standard, the Company recognises right-of-use assets and lease liabilities for all leased-in assets at the present value of the minimum lease payments for future rental payments from 1 January 2021

(except for short-term leases and low-value assets leases where simplified treatment is applied), and recognises depreciation and unrecognised finance charges separately, without adjusting the information for comparable periods.

The change in accounting policy is a change made by the Company in accordance with the relevant regulations and requirements of the Ministry of Finance and is in compliance with the relevant laws and regulations and the actual situation of the Company and will not have a material impact on the financial position of the Company.

## 2. Effect of changes in accounting policies

The impact of the implementation of the new lease standard on the consolidated balance sheet items as of 1 January 2021 is summarized as follows:

In: RMB

Consolidated Balance Sheet Items	Balance as at 31 December 2020 before change in accounting policy	Impact of the New Lease Standard	Balance as at 1 January 2021 after change in accounting policy
Assets:	14,751,286.67	92,138,606.98	106,889,893.65
Right-of-use assets		100,424,292.71	100,424,292.71
Long-term deferred expenses	14,751,286.67	-8,285,685.73	6,465,600.94
Liabilities:	241,979,947.66	92,138,606.98	334,118,554.64
Lease liabilities		79,275,158.00	79,275,158.00
Non-current liabilities due within one year	241,979,947.66	12,863,448.98	254,843,396.64

## IV. Taxation

### (1) Major taxes and tax rates

Taxes	Tax basis	Tax rate
VAT	Sales tax less deductible input tax	6%、9%、13%
Urban maintenance and construction tax	Actual amount of turnover tax payable	5%、7%
Education surcharge	Actual amount of turnover tax payable	3%
Local education surcharge	Actual amount of turnover tax payable	2%
Enterprise income tax	Income tax payable	15%、20%、25%

Name of taxpayer	Income Tax Rate
Shandong Shengli Co., Ltd.	25%
Shandong Shengbang Plastic Co., Ltd.	15%
Chongqing Shengbang Pipeline Co., Ltd.	15%
Shaanxi Huashan Shengbang Plastic Co., Ltd.	15%
Chongqing Shengbang Gas Co., Ltd.	15%
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	15%
Shandong Lihuasheng Transportation Co., Ltd.	20%
Anyang Beisheng New Energy Development Co., Ltd.	20%
Chongqing Zhongbang Gas Equipment Co., Ltd.	20%



Zibo Lvchuan Ruyi Gas Safety Technology Co., Ltd.	20%
Bazhou Shengshun Gas Sales Co., Ltd.	20%
Bazhou Shengshun New Energy Development Co., Ltd.	20%
Puyang Shengli Clean Energy Co., Ltd.	20%
Wenzhou Shengyang Smart Technology Co., Ltd.	20%
Puyang Boyuan Energy Technology Co., Ltd.	20%
Dong'a County Ruitai Trade Co., Ltd.	20%
Qingdao Shengli Meijiuhui Co., Ltd.	20%
Other Companies	25%

## (2) Important Tax Preferential Treatments and Approval Documents

1. Shandong Shengbang Plastics Co., Ltd., a subsidiary of the Company has passed the certification of high-tech enterprise and obtained the certificate of high-tech enterprise, and the enterprise income tax for 2021 was calculated and paid at a tax rate of 15%.

2. Chongqing Shengbang Gas Co., Ltd, Chongqing Shengbang Pipeline Co., Ltd., and Qinzhou Shengli Natural Gas Utilization Co., Ltd and Shaanxi Huashan Shengbang Plastics Co., Ltd, subsidiaries of the Company have been approved to enjoy the preferential taxation policy for encouraging the development of industrial projects in the western region, and the enterprise income tax for 2021 was calculated and paid at a 15% tax rate.

3. According to the Circular of the General Administration of Taxation and the Ministry of Finance on the Implementation of Universal Tax Relief Policy for Small and Micro Enterprises (Cai Shui [2019] No. 13) and the Announcement of the General Administration of Taxation and the Ministry of Finance on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Sole Trader (Cai Shui [2022] No. 12), it is stipulated that from 1 January 2021 to 31 December 2022, the portion of the annual taxable income of small and micro enterprises below RMB 1 million shall be reduced by 12.5% before being taxed at the enterprise income tax rate of 20%; The portion of annual taxable income more than RMB 1 million but less than RMB 3 million shall be reduced by 50% before being taxed at the enterprise income tax rate of 20%; The following subsidiaries of the Company are small and micro-enterprises and subject to preferential income tax policies for small and micro enterprises: Shandong Lihuasheng Transportation Co., Ltd., Anyang Beisheng New Energy Development Co., Ltd., Chongqing Zhongbang Gas Equipment Co., Ltd., Zibo Lvchuan Ruyi Gas Safety Technology Co., Ltd., Bazhou Shengshun Gas Sales Co., Ltd., Bazhou Shengshun New Energy Development Co., Ltd., Puyang Shengli Clean Energy Co., Ltd., Wenzhou Shengyang Smart Technology Co., Ltd., Puyang Boyuan Energy Technology Co., Ltd., Dong'a County Ruitai Trade Co., Ltd., and Qingdao Shengxin Meijiuhui Co., Ltd.

## V. Notes to the key items of the consolidated financial statements

### (1) Monetary Funds

#### 1. Breakdown of monetary funds

Categories	Closing balance	Opening balance
Cash	655,736.24	365,518.48
Bank deposit	269,852,412.07	452,411,411.21
Other cash at bank and on hand	404,955,563.65	442,370,338.50
Total	675,463,711.96	895,147,268.19

## 2. Other monetary funds

Categories	Closing balance	Opening balance
Banker's Acceptance Draft Security Deposit	245,919,357.96	280,532,309.26
Letter of Credit Security Deposit	19,144,045.98	17,943,118.01
Certificate of deposit	139,550,000.00	139,550,000.00
Interest on Certificate of Deposit with Bank	123,682.19	2,228,506.85
payments via POS, WeChat, Alipay and other third party platforms	218,477.52	2,116,404.38
Total	404,955,563.65	442,370,338.50

## (2) Financial assets held for trading

Categories	Closing balance	Opening balance
Wealth Management Products with Banks	10,000,000.00	20,000,000.00
Total	10,000,000.00	20,000,000.00

## (3) Accounts receivable

## 1. Accounts receivable by category

Categories	Closing figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis	340,394.77	0.07	340,394.77	100.00
Accounts receivable with provision for bad and doubtful debts on a group basis	517,422,554.19	99.93	116,377,910.95	22.49
Where: Ageing-based grouping	517,422,554.19	99.93	116,377,910.95	22.49
Total	517,762,948.96	100.00	116,718,305.72	22.54

Categories	Opening figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis	498,680,449.14	100.00	116,061,465.41	23.27
Where: Ageing-based grouping	498,680,449.14	100.00	116,061,465.41	23.27
Total	498,680,449.14	100.00	116,061,465.41	23.27



## (1) Accounts receivable with provision for bad and doubtful debts on a group basis

Ageing	Closing figure			Opening figure		
	Book Balance	Expected credit loss ratio (%)	Bad debt provision	Book Balance	Expected credit loss ratio (%)	Bad debt provision
Less than 1 year	329,279,659.28	0.36	1,185,406.75	307,130,602.65	0.36	1,105,670.07
1 to 2 years	56,938,676.56	2.80	1,594,282.94	60,053,873.77	2.80	1,681,508.47
2 to 3 years	14,492,348.31	16.11	2,334,717.31	16,132,589.08	16.11	2,598,960.10
3 to 4 years	8,021,998.56	37.25	2,988,194.46	6,787,774.36	37.25	2,528,445.95
4 to 5 years	1,858,189.11	77.69	1,443,627.12	1,921,687.42	77.69	1,492,958.96
More than 5 years	106,831,682.37	100.00	106,831,682.37	106,653,921.86	100.00	106,653,921.86
Total	517,422,554.19	—	116,377,910.95	498,680,449.14	—	116,061,465.41

## (2) Provision for bad debts for the period:

The amount of bad debt provision made during the period was RMB656,840.31.

## (3) Five largest accounts receivable by debtor at the end of the period

Entity name	Closing balance	Percentage of total accounts receivable (%)	Bad debt provision balance
Shengbang Plastic Pipeline System Group Co., Ltd.	60,539,091.82	11.69	60,539,091.82
Dong'a County People's Government	29,228,980.00	5.65	450,800.74
Bazhou Municipal People's Government	28,100,650.00	5.43	101,162.34
Lushan Binhai New District Management Committee	10,164,807.61	1.96	44,981.15
Henan Youzhong Trading Co., Ltd.	9,900,859.47	1.91	35,643.09
Total	137,934,388.90	26.64	61,171,679.14

## (4) Accounts Receivable Financing

Categories	Closing balance	Opening balance
Banker's acceptance bill	70,798,392.30	48,792,081.24
Total	70,798,392.30	48,792,081.24

Notes receivable endorsed or discounted and derecognised at the end of the period but not yet due on the balance sheet date

Categories	Amount derecognised
Banker's acceptance bill	54,084,079.59
Total	54,084,079.59

## (5) Prepayments

## 1. Prepayments are presented by ageing

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Less than 1 year	152,591,956.05	95.61	199,224,945.44	98.22
1 to 2 years	4,913,353.31	3.08	3,504,398.51	1.73
2 to 3 years	1,995,480.67	1.25	63,879.69	0.03
More than 3 years	98,228.55	0.06	50,809.62	0.02
Total	159,599,018.58	100.00	202,844,033.26	100.00

## 2. Top 5 entities in terms of balance of prepayments

Entity name	Closing balance	Percentage of total prepayments (%)
Shadong Natural Gas Sales Center, Natural Gas Branch, PetroChina Compay Limited	12,366,870.95	7.75
PetroChina Compay Limited Hebei Natural Gas Sales Branch	10,365,367.47	6.49
Shandong Huahai Petrochemical Sales Co., Ltd.	9,353,288.60	5.86
Henan Natural Gas Sales Center, Natural Gas Branch, PetroChina Compay Limited	7,761,989.51	4.86
Chongqing Natural Gas Sales and Pipeline Branch, Southwest China Oil and Gas Field, PetroChina Compay Limited	5,741,805.52	3.60
Total	45,589,322.05	28.56

## (6) Other receivables

Categories	Closing balance	Opening balance
Dividend receivable		110,215,135.02
Other receivables	257,684,626.71	252,657,890.12
Less: Bad debt provision	86,974,272.14	84,999,162.48
Total	170,710,354.57	277,873,862.66

## 1. Dividend receivable

## (1) Dividends receivable by category

Item	Closing balance	Opening balance
Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.		100,270,000.00
Qingdao Kunlun Shengli Gas. Co., Ltd.		9,945,135.02
Total		110,215,135.02

## 2. Other receivables

## (1) Other receivables by nature

Nature of amount	Closing balance	Opening balance
Borrowing and lending with investee companies (Note 1)	35,417,251.68	34,680,000.00
Guaranteed payments on behalf of others (Note 2)	20,065,391.67	20,065,391.67
Current accounts and others (Note 3)	202,201,983.36	197,912,498.45
Total	257,684,626.71	252,657,890.12

Note 1: In January 2014, the Company transferred 55% equity interest of Shandong Shengli Bioengineering Co., Ltd, a wholly-owned subsidiary of the Company, to Zhongmu Industrial Co. Ltd. In accordance with the equity transfer agreement, both parties provided financial support to Shandong Shengli Bioengineering Co., Ltd. in proportion to their shareholdings and charged it a capital occupation fee at the bank loan interest rate for the same period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations. The amount of financial grant mentioned above is gradually decreasing. The balance for the period was RMB33,432,257.33. In addition, the Company has provided financial support of RMB 1,984,994.35, the sum of the principal and interest thereon up to now, to PetroChina Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd., in which the Company has a 49% equity interest, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

Note 2: The bank loan of RMB20,000,000.00 borrowed by Qingdao Tongyong Plastic Co., Ltd. ("Qingdao Tongyong Plastic") from China Merchants Bank, which was guaranteed by the Company, matured on 10 April, 2016, and as Qingdao General Plastics failed to repay the loan on maturity, the Company fulfilled its guarantee obligations in accordance with the guarantee agreement and paid the principal and interest of RMB20,065,391.67 on the loan. Under the agreement, Qingdao General Plastics provided a collateral-based counter-guarantee for the guarantee provided by the Company with the use rights to 30 mu of land it holds. The Company has pursued the claim through litigation proceedings and won the second trial. The auction procedure of the collateral assets by the court is in progress, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

Note 3: On 23 January 2017, the Company transferred its equity interest in Shandong Shengbang Lyve Chemistry Co., Ltd., a subsidiary of the Company and recovered other receivables from that subsidiary by instalments. The aggregate principal and interest balance of the remaining other receivables was RMB 137,676,083.19 at the end of the period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

## (2) Disclosure of other receivables by aging

Ageing	Closing balance	Opening balance
Less than 1 year	18,753,263.95	12,977,207.01
1 to 2 years	9,130,219.99	12,276,998.99
2 to 3 years	9,099,911.38	9,666,267.21
3 to 4 years	128,234,954.56	128,383,490.60
4 to 5 years	3,938,811.75	24,004,663.79
More than 5 years	88,527,465.08	65,349,262.52
Total	257,684,626.71	252,657,890.12

## (3) Provisions made for bad debt

Bad debt provision	Stage I	Stage II	Stage III	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (without credit impairment)	Expected credit losses over the entire duration (with credit impairments)	
Opening balance	84,999,162.48			84,999,162.48
Opening balance in the current period after reassessment	84,999,162.48			84,999,162.48
Provision for the period	1,975,109.66			1,975,109.66
Write off for the period				
Closing balance	86,974,272.14			86,974,272.14

## (4) Provision for bad debts for the period

Categories	Opening balance	Amount of changes during the period		Closing balance
		Provision	Write-off	
Petty cash	115,202.83	49,452.06		164,654.89
Security deposit and Guarantee	806,980.06	-301,903.16		505,076.90
Company transactions and others	84,076,979.59	2,227,560.76		86,304,540.35
Total	84,999,162.48	1,975,109.66		86,974,272.14

## (5) Five largest other receivables by debtor at the end of the period

Name of debtors	Nature of amount	Closing balance	Ageing	percentage of total closing other receivables (%)	Bad debt provision balance
Shandong Shengbang Lyve Chemistry Co., Ltd.	Amount due from Shengbang Lyve	137,676,083.19	Less than 1 year RMB7,893,667.57, 1-2 years RMB7,801,002.00, 2-3 years RMB2,265,720.97, 3-4 years RMB119,715,682.65	53.43	12,294,464.29
Shandong Shengli Bioengineering Co., Ltd.	Borrowing and lending	33,432,257.33	Less than 1 year RMB712,257.33, 2-3 years RMB1,578,610.16, 3-4 years RMB1,905,998.35, 4-5 years RMB2,831,081.49, more than 5 years RMB26,404,310.00	12.97	21,473,624.22
Qingdao Tongyong Plastic Co., Ltd.	Guaranteed payments on behalf of others	20,065,391.67	4-5 years	7.79	6,019,617.50
Yantai Lanhai Petrol Co., Ltd.	Equity transfer payments receivable	4,000,000.00	3-4 years	1.55	
CCIG Lease (Tianjin) Co., Ltd.	Security deposit	2,400,000.00	2-3 years	0.93	120,000.00
Total	—	197,573,732.19	—	76.67	39,907,706.01

## (7) Inventories

## 1. Classification of inventories

Type of inventories	Closing balance			Opening figure		
	Book Balance	Provisions for write-down	Carrying amount	Book Balance	Provisions for write-down	Carrying amount
Raw materials	173,482,173.21	11,417,653.25	162,064,519.96	156,022,373.47	11,417,653.25	144,604,720.22
Low value consumables	89,536.89		89,536.89	62,542.56		62,542.56
Products in process	148,960,000.14		148,960,000.14	154,795,290.23		154,795,290.23
Products in stock	132,317,338.15	13,193,995.24	119,123,342.91	120,460,473.68	13,193,995.24	107,266,478.44
Packaging	745,380.03		745,380.03	620,176.15		620,176.15
Total	455,594,428.42	24,611,648.49	430,982,779.93	431,960,856.09	24,611,648.49	407,349,207.60

## 2. Provision for depreciation of inventories

Type of inventories	Opening balance	Provision for the period	Decrease for the year		Closing balance
			Write off	Other	
Raw materials	11,417,653.25				11,417,653.25
Products in stock	13,193,995.24				13,193,995.24
Total	24,611,648.49				24,611,648.49

## (8) Contractual Assets

## 1. Classification of contractual assets

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Guarantee	27,703,504.27	101,196.62	27,602,307.65	32,181,811.69	139,561.52	32,042,250.17
Total	27,703,504.27	101,196.62	27,602,307.65	32,181,811.69	139,561.52	32,042,250.17

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### 2. Provision for impairment of contractual assets

#### (1) Contractual assets tested for provision for impairment on a group basis

Item	Closing balance			Opening balance		
	Book Balance	Expected credit loss ratio (%)	Provision for impairment	Book Balance	Expected credit loss ratio (%)	Provision for impairment
Less than 1 year	27,643,504.27	0.36	99,516.62	31,210,216.69	0.36	112,356.86
1-2 years	60,000.00	2.80	1,680.00	971,595.00	2.80	27,204.66
Total	27,703,504.27	—	101,196.62	32,181,811.69	—	139,561.52

#### (2) Provision for impairment of contract assets accrued for the period

The amount of provision for impairment accrued for the period was RMB-38,364.90.

#### (9) Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	33,872,543.47	40,231,336.75
Prepaid tax	6,638,068.99	9,197,906.06
Total	40,510,612.46	49,429,242.81

## (10) Long-term equity investments

Investor	Opening balance	Changes in the period								Closing balance	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Associates:											
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	285,973,852.83			209,284,074.86						495,257,927.69	
Shandong Shengli Bioengineering Co., Ltd.	211,914,411.92			19,564,489.62						231,478,901.54	
Shandong Kunlun Shengli Energy Co., Ltd.	23,114,462.82			-163,226.70						22,951,236.12	
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	41,485,310.47			-585,516.72						40,899,793.75	
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	55,838,488.12			1,033,586.48						56,872,074.60	4,518,749.50
Qingdao Kunlun Shengli Gas Co., Ltd.	113,430,053.70			1,734,989.75						115,165,043.45	25,868,518.27
Shenxian County PetroChina Kunlun Gas Co., Ltd.	11,444,911.55			168,954.11						11,613,865.66	
Total	743,201,491.41			231,037,351.40						974,238,842.81	30,387,267.77

## (11) Other equity instrument investments

Item	Opening balance	Closing balance	Other comprehensive income recognised during the period	Transfer of accumulated gains and losses from other comprehensive income to retained earnings for the period	Reasons for the transfer
Bank of Qingdao	497,449.91	416,918.39	-80,531.52		
Zibo Zichuan Beihai Rural Bank Co., Ltd.	4,500,000.00	4,500,000.00			
Tianjin LNG Co., Ltd., National Pipeline Group	47,237,850.00	47,237,850.00			
Total	52,235,299.91	52,154,768.39	-80,531.52		

## (12) Investment properties

## Investment properties measured at fair value

Item	Buildings and constructions
I. Opening balance	72,051,318.00
II. Movements during the period	
Changes in fair value	
III. Closing balance	72,051,318.00

## (13) Fixed assets

Categories	Closing balance	Opening balance
Fixed assets	1,786,901,896.09	1,801,878,467.58
Less: Provision for impairment	10,019,045.24	10,539,382.26
Total	1,776,882,850.85	1,791,339,085.32

## 1. Fixed assets

Item	Buildings and constructions	Machinery and equipment	Means of Transportation	Gas Transmission Facilities	Other	Total
I. Original carrying amount						
1. Opening balance	263,603,566.84	633,894,958.54	96,339,176.88	1,391,311,857.14	19,827,781.14	2,404,977,340.54
2. Increase during the period	13,569,088.73	15,435,940.29	2,161,796.68	15,945,629.96	1,540,351.25	48,652,806.91
(1) Acquisition		6,483,565.57	2,161,796.68	83,912.73	1,478,363.11	10,207,638.09
(2) Transfer from construction in progress	13,569,088.73	8,952,374.72		15,861,717.23	61,988.14	38,445,168.82
(3) Increase from business combination						
3. Decrease during the period	6,352,142.02	7,021,246.89	1,606,642.40	176,236.21	1,145,911.84	16,302,179.36
(1) Disposal or retirement	6,352,142.02	7,021,246.89	1,606,642.40	176,236.21	1,145,911.84	16,302,179.36
4. Closing balance	270,820,513.55	642,309,651.94	96,894,331.16	1,407,081,250.89	20,222,220.55	2,437,327,968.09



II. Cumulative depreciation						
1. Opening balance	58,221,604.72	277,675,076.83	58,712,699.13	189,044,144.29	19,445,347.99	603,098,872.96
2. Increase during the period	4,917,489.91	13,913,693.44	5,916,781.52	25,525,790.41	1,460,952.94	51,734,708.22
(1) Provision	4,917,489.91	13,913,693.44	5,916,781.52	25,525,790.41	1,460,952.94	51,734,708.22
3. Decrease during the period	1,223,580.53	574,469.58	1,555,756.84	41,145.57	1,012,556.66	4,407,509.18
(1) Disposal or retirement	1,223,580.53	574,469.58	1,555,756.84	41,145.57	1,012,556.66	4,407,509.18
4. Closing balance	61,915,514.10	291,014,300.69	63,073,723.81	214,528,789.13	19,893,744.27	650,426,072.00
III. Provision for impairment						
1. Opening balance	500,467.34	7,103,720.50		2,931,076.51	4,117.91	10,539,382.26
2. Increase during the period						
(1) Provision						
3. Decrease during the period	500,467.34			19,869.68		520,337.02
4. Closing balance		7,103,720.50		2,911,206.83	4,117.91	10,019,045.24
IV. Carrying amount						
1. Closing carrying amount	208,904,999.45	344,191,630.75	33,820,607.35	1,189,641,254.93	324,358.37	1,776,882,850.85
2. Opening carrying amount	204,881,494.78	349,116,161.21	37,626,477.75	1,199,336,636.34	378,315.24	1,791,339,085.32

## (14) Construction in progress (CIP)

## 1. CIP items

## (1) Basic information of CIP items

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Construction in progress (CIP)	244,923,115.02	2,485,135.48	242,437,979.54	181,308,652.01	2,485,135.48	178,823,516.53
Total	244,923,115.02	2,485,135.48	242,437,979.54	181,308,652.01	2,485,135.48	178,823,516.53

## (2) Significant changes in CIP Item

Item name	Opening figure	Increase during the period	Transferred to fixed assets	Other decreases	Closing figure	Accumulated amount of interest capitalised	Amount of interest capitalised for the period	Interest capitalization ratio (%)	Source of funds
Bazhou Shunda Pipeline Project	1,370,739.52	6,560,141.77			7,930,881.29				Self-financing and borrowing
Dongtai Gas Pipeline Project	6,371,990.73	4,126,154.99	964,601.77		9,533,543.95	350,250.00	242,250.00	5.40	Self-financing and borrowing
Anyang Beifang Pipeline Project	52,490,610.02	8,984,623.26	5,613,395.13		55,861,838.15	273,615.37	273,615.37	6.00	Self-financing and borrowing

Yinzhou Shengli Pipeline Project	7,835,575.22	8,851,946.60	124,209.97		16,563,311.85	531,131.52	252,937.50	5.74	Self-financing and borrowing
Zibo Lvchuan Pipeline and Emergency Reserve Station Project	33,701,364.01	6,742,447.76	14,343,068.95		26,100,742.82				Self-financing
Wenzhou Gangyao Pipeline Project	9,854,596.11	7,745,031.54	2,665,102.36		14,934,525.29				Self-financing
Chongqing Shengbang Pipeline Project	23,518,929.54	31,402,254.10	1,625,493.87		53,295,689.77				Self-financing
Total	135,143,805.15	74,412,600.02	25,335,872.05		184,220,533.12	1,154,996.89	768,802.87		

## (15) Right-of-use assets

Item	Leasehold assets	Total
I. Original carrying amount		
1. Opening balance	100,424,292.71	100,424,292.71
2. Increase during the period		
3. Decrease during the period		
4. Closing balance	100,424,292.71	100,424,292.71
II. Cumulative depreciation		
1. Opening balance		
2. Increase during the period	6,841,247.08	6,841,247.08
3. Decrease during the period		
4. Closing balance	6,841,247.08	6,841,247.08
III. Provision for impairment		
1. Opening balance		
2. Increase during the period		
3. Decrease during the period		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	93,583,045.63	93,583,045.63
2. Opening carrying amount	100,424,292.71	100,424,292.71

## (16) Intangible assets

Item	Land use rights	Software	Patented Technologies	Total
<b>I. Original carrying amount</b>				
1. Opening balance	130,336,283.47	8,292,891.81	45,000.00	138,674,175.28
2. Increase during the period	2,835,567.50	413,029.05		3,248,596.55
(1) Acquisition	2,835,567.50	413,029.05		3,248,596.55
3. Decrease during the period				
4. Closing balance	133,171,850.97	8,705,920.86	45,000.00	141,922,771.83
<b>II. Accumulated amortisation</b>				
1. Opening balance	19,687,630.77	5,633,411.34	1,312.50	25,322,354.61
2. Increase during the period	1,372,424.68	312,816.30	1,125.00	1,686,365.98
(1) Provision	1,372,424.68	312,816.30	1,125.00	1,686,365.98
3. Decrease during the period				
4. Closing balance	21,060,055.45	5,946,227.64	2,437.50	27,008,720.59
<b>III. Provision for impairment</b>				
1. Opening balance				
2. Increase during the period				
3. Decrease during the period				
4. Closing balance				
<b>IV. Carrying amount</b>				
1. Closing carrying amount	112,111,795.52	2,759,693.22	42,562.50	114,914,051.24
2. Opening carrying amount	110,648,652.70	2,659,480.47	43,687.50	113,351,820.67

## (17) Development expenses

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Internal development expenses	Other	Recognised in profit or loss for the period	Recognized as intangible assets	
Smart Gas Platform	598,041.27	765,626.86				1,363,668.13
Total	598,041.27	765,626.86				1,363,668.13

## Development expenses (continued)

Item	Capitalisation Start Time	Specific criteria for capitalisation	Progress of R&D as at end of period
Smart Gas Platform	March 2020	Moving into the software development phase	Software development in progress

## (18) Goodwill

## 1. Original carrying value of goodwill

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
		From business combination	Disposal	
Dong'a Dongtai Gas Co., Ltd.	191,676,567.67			191,676,567.67
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	37,961,916.33			37,961,916.33
Yantai Runtong Energy Co., Ltd.	885,627.65			885,627.65
Ji'Nan Tianchen Energy Investment Co., Ltd.	701,558.75			701,558.75
Shandong Longyu Shengli Energy Co., Ltd.	5,961,571.56			5,961,571.56
Dong'e Sunshine Clean Energy Co., Ltd.	4,900,000.00			4,900,000.00
Puyang Boyuan Natural Gas Co., Ltd.	63,180,188.59			63,180,188.59
Shandong Qinglin Taifeng Trade Co., Ltd.	2,592,000.00			2,592,000.00
Bazhou Shengli Shunda Gas Co., Ltd.	95,681,106.01			95,681,106.01
Dalian Shengyi New Energy Development. Co., Ltd.	30,516,467.10			30,516,467.10
Zibo Lvchuan Gas Co., Ltd.	72,927,861.05			72,927,861.05
Anyang Beifang Shengli Gas Co., Ltd.	43,195,836.86			43,195,836.86
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	132,745,684.23			132,745,684.23
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	94,749,476.27			94,749,476.27
Chongqing Shengbang Gas Co., Ltd.	477,021,251.91			477,021,251.91
Weihai Shengli Huachang Gas Co., Ltd.	14,773,471.28			14,773,471.28
Puyang County Boyuan Natural Gas Co., Ltd.	69,548,160.04			69,548,160.04
Total	1,339,018,745.30			1,339,018,745.30

## 2. Provision for impairment of goodwill

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Shandong Longyu Shengli Energy Co., Ltd.	801,939.30			801,939.30
Yantai Runtong Energy Co., Ltd.	885,627.65			885,627.65
Dalian Shengyi New Energy Development Co., Ltd.	30,516,467.10			30,516,467.10
Shandong Qinglin Taifeng Trade Co., Ltd.	2,592,000.00			2,592,000.00
Ji'Nan Tianchen Energy Investment Co., Ltd.	701,558.75			701,558.75
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	40,044,169.36			40,044,169.36
Chongqing Shengbang Gas Co., Ltd.	8,489,766.22			8,489,766.22
Dong'e Sunshine Clean Energy Co., Ltd.	4,900,000.00			4,900,000.00
Anyang Beifang Shengli Gas Co., Ltd.	8,828,441.70			8,828,441.70
Total	97,759,970.08			97,759,970.08

## (19) Long-term deferred expenses

Categories	Opening balance	Increase during the period	Amortisation for the period	Other decreases	Closing balance
Amortisation of renovation costs and others	6,465,600.94	1,745,245.17	1,432,291.39		6,778,554.72
Total	6,465,600.94	1,745,245.17	1,432,291.39		6,778,554.72

## (20) Deferred income tax assets, deferred income tax liabilities

## 1. Deferred income tax assets and deferred income tax liabilities

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/taxable temporary differences	Deferred income tax assets/liabilities	Deductible/taxable temporary differences
Deferred income tax assets:				
Provision for asset impairment	46,635,725.02	218,882,024.80	46,158,975.14	216,299,914.27
Deductible losses	85,206,334.60	363,603,053.83	136,273,835.30	546,328,757.91
Unrealised profits from internal sale	6,695,702.75	26,782,811.00	6,384,960.51	25,539,842.02
Deferred revenue	1,073,335.94	5,357,401.58	1,105,001.14	5,514,012.96
Subtotal	139,611,098.31	614,625,291.21	189,922,772.09	793,682,527.16
Deferred tax liabilities:				
Gains or losses from changes in the fair value of investment properties	9,004,927.10	36,019,708.39	9,004,927.10	36,019,708.38
One-off pre-tax deduction for depreciation of fixed assets	65,384,267.13	272,176,963.31	63,904,394.06	266,426,680.82
Appreciation appraised on assets acquired not under common control	7,770,150.21	31,080,600.87	8,001,575.91	31,988,337.55
Subtotal	82,159,344.44	339,277,272.57	80,910,897.07	334,434,726.75

## 2. Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Bad debt provision	9,523,398.17	9,511,923.61
Provision for impairment of fixed assets and construction in progress	12,504,180.72	13,024,517.74
Change in fair value of other equity instruments	35,492,885.28	35,492,885.28
Provision for impairment of long-term equity investments	30,387,267.77	30,387,267.77
Deductible losses	446,343,373.16	349,077,258.37
Total	534,251,105.10	437,493,852.77

## 3. The deductible losses on unrecognised deferred income tax assets that will expire in the following years

Year	Closing balance	Opening balance
Year 2021	67,149,543.19	67,149,543.19
Year 2022	62,076,108.50	62,076,108.50
Year 2023	84,878,999.08	84,878,999.08
Year 2024	78,905,154.48	78,905,154.48
Year 2025	56,067,453.12	56,067,453.12
Year 2026	97,266,114.79	
Total	446,343,373.16	349,077,258.37

## (21) Other non-current assets

Item	Closing balance	Opening balance
Prepayment for equipment and Payments for Construction	26,357,291.40	38,859,519.75
Total	26,357,291.40	38,859,519.75

## (22) Short-term borrowings

Borrowing terms	Closing balance	Opening balance
Pledged loan	123,000,000.00	243,193,023.38
Mortgage loan	42,300,000.00	6,000,000.00
Guaranteed loan	668,986,113.19	614,205,946.19
Credit loan	374,000,000.00	361,000,000.00
Interest on borrowings	1,743,499.13	2,265,953.91
Total	1,210,029,612.32	1,226,664,923.48

Note 1: For details of assets pledged or collateralised for borrowings, see V. (57) Assets with restricted ownership rights or right to use. Note 2: There is no short-term loan overdue at the end of the period.

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### (23) Notes payable

Item	Closing balance	Opening balance
Banker's acceptance bill	530,900,000.00	572,500,000.00
Total	530,900,000.00	572,500,000.00

### (24) Accounts Payable

#### (1) By Ageing

Item	Closing balance	Opening balance
Within 1 year (inclusive)	183,090,545.27	263,674,412.91
More than 1 years	93,969,791.85	103,867,330.29
Total	277,060,337.12	367,541,743.20

### (25) Contractual liabilities

Item	Closing balance	Opening balance
Within 1 year (inclusive)	410,464,723.25	531,296,815.24
More than 1 years	53,363,799.55	56,365,643.27
Total	463,828,522.80	587,662,458.51

### (26) Employee benefits payable

#### 1. Classification of employee benefits payable

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term Benefits	45,524,886.11	115,325,405.76	132,374,176.75	28,476,115.12
II. Post-employment benefits - defined contribution plan	763,582.79	10,998,186.20	11,094,552.27	667,216.72
Total	46,288,468.90	126,323,591.96	143,468,729.02	29,143,331.84

#### 2. Short-term Employee Benefits

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1、Wages, bonuses, allowances and subsidies	25,087,518.37	94,387,964.59	113,382,512.50	6,092,970.46
2、Staff Welfare Payments		4,515,177.76	4,515,177.76	
3、Social insurance premiums	2,510,534.35	5,714,229.14	5,263,703.35	2,961,060.14
Where: Medical insurance premiums	2,453,565.17	5,150,681.49	4,733,635.86	2,870,610.80
Worker's compensation insurance premiums	9,082.94	358,784.00	351,490.00	16,376.94
Maternity insurance premiums	47,886.24	204,763.65	178,577.49	74,072.40
4、Housing provident fund	2,179.20	6,325,112.92	6,271,194.48	56,097.64
5、Funding for trade unions and vocational education	17,924,654.19	4,382,921.35	2,941,588.66	19,365,986.88
Total	45,524,886.11	115,325,405.76	132,374,176.75	28,476,115.12

## 3. Defined benefit plan

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1、Basic pension insurance	762,240.93	10,616,797.12	10,713,847.58	665,190.47
2、Unemployment insurance premiums	1,341.86	381,389.08	380,704.69	2,026.25
Total	763,582.79	10,998,186.20	11,094,552.27	667,216.72

## (27) Taxes payable

Type of Taxes	Closing balance	Opening balance
VAT	4,834,827.89	9,642,615.16
Enterprise income tax	13,697,431.92	12,271,051.91
Urban maintenance and construction tax	417,056.02	833,888.38
Property tax	229,475.91	374,290.99
Land use tax	432,779.17	425,755.20
Personal income tax	1,066,319.91	754,721.85
Education surcharge	318,881.65	594,981.35
Water conservancy construction fund	5,492.40	31,068.13
Stamp duty	143,552.56	225,390.30
Other taxes	4,808.36	49,787.11
Total	21,150,625.79	25,203,550.38

## (28) Other payables

Categories	Closing balance	Opening balance
Dividend payable	4,666,416.46	4,666,416.46
Other payables	79,143,693.04	78,592,532.31
Total	83,810,109.50	83,258,948.77

## 1. Dividend payable

Item	Closing balance	Opening balance
Common stock dividends due from the parent company	1,497,902.15	1,497,902.15
Dividends payable to minority shareholders by Zibo Lvchuan Gas Co., Ltd.	3,168,514.31	3,168,514.31
Total	4,666,416.46	4,666,416.46

## 2. Other payables

Nature of amount	Closing balance	Opening balance
Security deposit	6,098,797.46	15,343,603.54
Amount payable to purchase stock options	16,980,300.00	16,980,300.00
Other	56,064,595.58	46,268,628.77
Total	79,143,693.04	78,592,532.31



## (29) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Amount payable to purchase stock options	118,250,000.00	133,250,000.00
Borrowings from the Bank of Dongying	1,000,000.00	1,000,000.00
Borrowings from Bank of Qi Lu	31,000,000.00	5,000,000.00
Finance Lease payments due to CSC Financial	13,333,333.35	26,666,666.68
Borrowings from ICBC	49,920,000.00	49,910,000.00
Borrowings from Bank of Hebei Pozhou Sub-branch	6,000,000.00	6,000,000.00
Proceedings from Preference shares issued to Shaanxi Financial Holding Group Co., Ltd.	2,000,000.00	2,000,000.00
Borrowings from Hengfeng Bank	10,000,000.00	10,000,000.00
Borrowings from China Merchants Bank	3,000,000.00	3,000,000.00
Borrowings from Kunlun Bank	6,000,000.00	2,000,000.00
Borrowings from Guangxi Rural Credit Union	3,000,000.00	1,000,000.00
Long-term borrowings with payments of interest thereon in instalments and the repayment of the principal upon maturity	1,198,142.01	1,471,503.20
Interest payable on finance leases	790,394.58	681,777.78
Lease liabilities due within one year	9,246,841.23	12,863,448.98
Total	254,738,711.17	254,843,396.64

## (30) Other current liabilities

Item	Closing balance	Opening balance
Sales tax to be carried forward	42,103,646.95	50,963,005.52
Total	42,103,646.95	50,963,005.52

## (31) Long-term borrowings

Borrowing terms	Closing balance	Opening balance
Guaranteed loan	214,777,500.00	238,242,500.00
Mortgage loan	168,500,000.00	123,500,000.00
Pledged loan	30,000,000.00	40,000,000.00
Total	413,277,500.00	401,742,500.00

## (32) Long-term payables

Nature of amount	Closing balance	Opening balance
Borrowings from connected parties	60,000,000.00	60,000,000.00
Equity transfer payments payable	88,450,000.00	88,450,000.00
Total	148,450,000.00	148,450,000.00

## (33) Lease liabilities

Nature of amount	Closing balance	Opening balance
Lease payments	116,881,257.20	123,305,103.78
Less: Unrecognised finance charges	29,405,929.40	31,166,496.80
Less: Transfer to non-current liabilities due within one year	9,246,841.23	12,863,448.98
Total	78,228,486.57	79,275,158.00

## (34) Deferred revenue

## 1. Deferred revenue presented by category

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reasons of formation
Government grants	17,921,651.85		419,111.38	17,502,540.47	Asset-related government grants received
Total	17,921,651.85		419,111.38	17,502,540.47	

## 2. Government Grant Status

Item	Opening balance	Amount of new grants for the period	Amount recognised in other income for the period	Closing balance	Assets-related/Revenue-related
Municipal Energy Saving Funds	377,083.33		12,500.00	364,583.33	Assets-related
National Energy Conservation and Emission Reduction Comprehensive Demonstration City Award and Subsidy Fund	7,541,666.67		250,000.00	7,291,666.67	Assets-related
Incentive payments for fixed asset investment projects	2,778,991.92		81,735.06	2,697,256.86	Assets-related
Funds for 15,000 tonnes polyethylene pipe production line technical reform project	855,000.00		23,750.00	831,250.00	Assets-related
Dong'a County Clean Heating Village by Village Natural Gas Supply Supporting Facilities Special Funds	1,988,888.89			1,988,888.89	Assets-related
State subsidies for central infrastructure investment budget target (Note 1)	2,500,000.00			2,500,000.00	Assets-related
Special fundi for the new PE material pipe project	1,880,021.04		51,126.32	1,828,894.72	Assets-related
Total	17,921,651.85		419,111.38	17,502,540.47	

Note 1: In March 2019, Zibo Lvchuan Gas Co., Ltd. received from the Finance Bureau of Zichuan District a state subsidy of RMB2,500,000.00 for the construction of Lingzi LNG emergency gas storage station, which has not yet been completed. The Company expects to recognise the project-specific grant based on the overall useful life of the underlying assets and no other income was recognised this year.

For other details of government grants, please refer to the Note V. (47) Other income.

## (35) Share capital

Item	Opening balance	Change during this period (+, -)					Closing balance
		Issue of New Shares	Stock dividends	Reserve fund transferred to share capital	Other	Subtotal	
Total number of shares	880,084,656.00						880,084,656.00

## (36) Capital reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Capital premium	950,383,092.10			950,383,092.10
II. Other capital reserve	2,396,759.06			2,396,759.06
Total	952,779,851.16			952,779,851.16

## (37) Other comprehensive income

Item	Opening balance	This Period						Closing balance
		Amount before income tax for the current period	Less: Recorded in other comprehensive income in previous period but transferred to profit and loss for this period	Less: Recorded in other comprehensive income in previous period but transferred to retained earnings for this period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that will not be reclassified to profit or loss	-18,953,944.10	-80,531.52				-80,531.52		-19,034,475.62
Other equity instrument investments - Changes in fair value	-18,953,944.10	-80,531.52				-80,531.52		-19,034,475.62
Total other comprehensive income	-18,953,944.10	-80,531.52				-80,531.52		-19,034,475.62

## (38) Special Reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safe Production Fee	14,737,439.57	9,552,023.54	6,817,783.97	17,471,679.14
Total	14,737,439.57	9,552,023.54	6,817,783.97	17,471,679.14

## (39) Surplus reserves

Categories	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	151,608,371.93			151,608,371.93
Any surplus reserves	371,490.70			371,490.70
Total	151,979,862.63			151,979,862.63

## (40) Retained earnings

Item	Closing balance	
	Amount	Percentage of appropriation or distribution
Retained earnings of the previous year before adjustment	477,074,696.98	
Adjustments to total retained earnings at the beginning of the period (increase +, decrease -)		
Retained earnings at the beginning of the period after adjustment	477,074,696.98	
Add: Net profit attributable to the owners of parent company this period	176,750,481.20	
Less: Appropriation to statutory surplus reserves		10% of net profit of the parent company
Common stock dividends payable	17,601,693.12	
Retained earnings at the end of the year	636,223,485.06	

## (41) Operating income and operating cost

## 1. Operating income and operating costs by segment

Item	This Period		Previous period	
	Revenue	Cost	Revenue	Cost
I. Principal businesses	2,045,574,490.83	1,707,739,910.74	1,908,599,499.99	1,531,705,541.90
Sale of gas for automotive	215,096,005.30	186,254,323.33	295,970,648.81	262,239,421.09
Sale of piped gas	1,287,476,731.45	1,026,922,110.70	1,171,954,252.49	899,259,636.53
Equipment material manufacturing	540,579,242.11	492,906,918.38	434,976,672.54	368,747,180.63
Merchandise trading and other businesses	2,422,511.97	1,656,558.33	5,697,926.15	1,459,303.65
II. Other businesses	1,019,363.71	238,964.32	1,458,297.77	529,290.09
Total	2,046,593,854.54	1,707,978,875.06	1,910,057,797.76	1,532,234,831.99

## 2. Operating income for the period by the timing of recognition

Revenue Recognition Time	Sale of gas for automotive	Sale of piped gas	Equipment material manufacturing	Merchandise trading and other businesses	Other operating income
recognised at a point in time	215,096,005.30	1,287,476,731.45	540,579,242.11	2,422,511.97	1,019,363.71
Total	215,096,005.30	1,287,476,731.45	540,579,242.11	2,422,511.97	1,019,363.71

## (42) Tax and Surcharges

Item	This Period	Previous period
Urban maintenance and construction tax	1,149,183.71	1,114,125.76
Education surcharge	883,121.19	891,153.38
Property tax	791,401.62	705,121.79
Land use tax	1,293,858.33	1,494,511.08
Stamp duty	795,531.74	765,538.11
Vehicle tax	68,864.38	65,290.47
Other	80,275.96	38,036.49
<b>Total</b>	<b>5,062,236.93</b>	<b>5,073,777.08</b>

## (43) Cost of Sales

Item	This Period	Previous period
Employee Benefits	43,817,282.16	40,245,551.38
Transportation costs	48,576.17	17,908,097.81
Depreciation expenses	39,103,595.03	28,794,414.29
Safe Production Fee	12,812,109.02	13,404,976.77
Rental payment	3,204,002.65	7,872,157.22
Consulting fees	31,468.76	4,518,484.29
Entertainment expenses	3,490,946.37	2,880,214.41
Advertising fees	70,815.47	14,879.00
Travel expenses	575,887.34	412,260.26
Other	10,743,638.64	10,170,430.93
<b>Total</b>	<b>113,898,321.61</b>	<b>126,221,466.36</b>

## (44) Administrative expenses

Item	This Period	Previous period
Employee Benefits	51,781,752.42	31,820,164.21
Entertainment expenses	5,497,605.41	3,688,186.41
Depreciation expenses	3,733,993.74	4,022,644.15
Intangible asset amortisation	1,044,354.99	1,057,154.53
Rental payment	1,733,302.32	1,263,862.24
Consulting fees	525,069.67	357,129.31
Travel expenses	532,400.18	426,121.13
Fuel cost	948,802.09	852,998.05
Repairing expenses	574,793.43	612,316.93
Freight and miscellaneous charges	538,348.70	341,664.04
Property management fees	345,479.00	171,314.06
Other	19,262,204.55	12,275,885.16
<b>Total</b>	<b>86,518,106.50</b>	<b>56,889,440.22</b>

## (45) R&amp;D expenses

Item	This Period	Previous period
Material costs	7,922,128.96	5,625,342.88
Employee Benefits	4,900,298.92	2,604,541.52
Depreciation expenses	426,272.51	220,447.62
Other	554,399.86	1,023,633.72
Total	13,803,100.25	9,473,965.74

## (46) Financial expenses

Item	This Period	Previous period
Interest expenses	81,214,179.28	57,775,742.77
Less: Interest income	12,182,834.22	10,937,960.85
Exchange loss	203.83	-324.93
Handling fee expenses	1,907,440.11	1,531,538.18
Total	70,938,989.00	48,368,995.17

## (47) Other income

Categories	This Period	Previous period
Municipal Energy Saving Funds (Note 1)	12,500.00	12,500.00
National Energy Saving and Emission Reduction Grants (Note 2)	250,000.00	250,000.00
Incentive payments for fixed asset investment projects (Note 3)	81,735.06	81,735.06
Funds for a 15,000 tonne polyethylene pipe production line technical reform project(Note 4)	23,750.00	35,402.64
Special fundi for the new PE material pipe project (Note 5)	51,126.32	
Fund for invention patents acquired from Pengze County Market Supervision Administration	5,000.00	
Subsidy for the development and application of PE pipes (new materials) from Xi'an	300,000.00	
Rebate for Personal Income Tax Collection Handling	96,293.42	112,673.97
Employment Support Scheme	101,620.36	
Tax relief	260,592.74	134,966.06
Tax subsidy	12,000.00	
Other	68,960.00	
Total	1,263,577.90	627,277.73

Note 1: Dong'a Yangguang Clean Energy Co., Ltd., a subsidiary of the Company, received a special municipal energy conservation grant of RMB500,000.00 from Dong'a County Finance Bureau in December 2015, which was specifically used for the construction of the Company's coke gasification project, which was officially put into production in February 2016, and the Company recognised the project-specific subsidy fund in 20 years from February 2016 in accordance with the overall useful life of the relevant assets. Thus, other income of RMB12,500.00 was recognised during the year.

Note 2: Dong'a Yangguang Clean Energy Co., Ltd., a subsidiary of the Company, received a national energy saving and emission reduction subsidy fund of RMB10,000,000.00 from the Dong'a County Finance Bureau in 2016, which was specifically used for the construction of the Company's coke gasification project, which was formally put into production in February 2016, and the Company recognised the project specific subsidy fund in 20 years from February 2016 in accordance with the overall useful life of the relevant assets. Thus, the Company recognised other income of RMB250,000.00 for the year.

Note 3: In accordance with the Investment Agreement for the 50,000-ton per annum polyethylene pipe production base project entered into between Shandong Shengbang Pipeline Technology Co., Ltd. and the Management Committee of Dongying Economic and Technological Development Zone, the Company received an incentive payment of RMB3,269,402.27 from the Finance Bureau of Dongying Economic and Technological Development Zone for the fixed asset investment project in 2018, which was used for the purchase of fixed assets for the production of 50,000 tonnes of polyethylene pipes. The Company recognised other income of RMB81,735.06 in the current year based on the overall useful life of the relevant assets under the project grant funds, which is recognised over 20 years starting from January 2018.

Note 4: Chongqing Shengbang Pipeline Co., Ltd., a subsidiary, received a special fund of RMB950,000.00 in 2019 for the 15,000-ton polyethylene pipe production line technical reform project, which was earmarked for the 15,000-ton polyethylene pipe production line technical reform project. The Company recognises the project-specific grant over 20 years from January 2019 based on the overall useful life of the underlying assets. Thus, the Company recognised other income of RMB81,735.06 this year.

Note 5: According to the "Agreement on Investment in and Construction of New PE Material Pipeline Project" entered into between Chongqing Shengbang Pipeline Co., Ltd and the People's Government of Dazu District, Chongqing, the Company received special funds of RMB1,942,800.00 in total as equipment subsidies in January and August 2020, which were for subsidies for the purchase of new equipment. The Company recognises the project-specific grant over 20 years from 2020 based on the overall useful life of the underlying assets. Thus, the Company recognised other income of RMB51,126.32 this year.

## (48) Investment income

Categories	This Period	Previous period
Income from long-term equity investment accounted for under the equity method	231,037,351.40	12,911,873.02
Total	231,037,351.40	12,911,873.02

## (49) Credit impairment loss

Item	This Period	Previous period
Credit impairment loss on accounts receivable	-656,840.31	1,404,873.67
Credit impairment loss on other receivables	-1,975,109.66	1,184,276.87
Total	-2,631,949.97	2,589,150.54

## (50) Asset impairment loss

Item	This Period	Previous period
Provision for contractual asset impairment	38,364.90	-584.98
Total	38,364.90	-584.98

## (51) Gains on Disposal of Assets

Categories	This Period	Previous period
Gains or losses on disposal of non-current assets	3,943,005.79	-11,476.49
Total	3,943,005.79	-11,476.49

## (52) Non-operating income

## 1. Non-operating income is presented separately

Item	This Period	Previous period	Amount included in non-recurring profit or loss for the period
Government grants	72,500.00	801,919.63	72,500.00
Other	419,302.61	867,123.78	419,302.61
Total	491,802.61	1,669,043.41	491,802.61

## 2. Government grants recognised in profit or loss for the period

Item	This Period	Previous period	Assets-related/Revenue-related
Government awards	30,000.00	260,000.00	Revenue-related
Government grants	42,500.00	541,919.63	Revenue-related
Total	72,500.00	801,919.63	

## (53) Non-operating expenses

Item	This Period	Previous period	Amount included in non-recurring profit or loss for the period
Loss on decommissioning and retirement of non-current assets	2,526,417.66		2,526,417.66
Fine expenses	217,564.63	91,518.23	217,564.63
Outbound donations	200,000.00	74,965.00	200,000.00
Other	1,523,163.42	44,218.57	1,523,163.42
Total	4,467,145.71	210,701.80	4,467,145.71

## (54) Income tax expenses

## 1. Breakdown of income tax expenses

Item	This Period	Previous period
Current income tax calculated in accordance with the tax law and related regulations	32,292,653.61	35,315,897.72
Deferred income tax expenses	51,560,121.15	4,390,596.70
Total	83,852,774.76	39,706,494.42

## 2. Profit and income tax expense adjustment process for accounting purpose

Item	Amount
Total profit	278,069,232.11
Income tax expense at statutory/applicable rates	69,517,308.03
Effect of different tax rates applicable to subsidiaries	-7,417,360.89
Effect of adjustment to prior period income tax	
Effect of non-taxable income	-5,438,319.14
Effect of non-deductible costs, expenses and losses	2,871,749.42
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the period	24,319,397.34
Income tax expenses	83,852,774.76



## (55) Cash flow statement

## 1. Other cash received or paid related to operating activities

Item	This Period	Previous period
Other cash received relating to operating activities	9,266,211.72	11,599,510.18
Where: Interest received	8,527,891.38	8,312,494.62
Government grants received	656,373.78	1,244,719.63
Other	81,946.56	2,042,295.93
Other cash paid relating to operating activities	70,999,662.74	76,754,434.18
Where: Cash expenses in administrative expenses and R&D expenses	24,850,968.51	11,324,833.58
Cash expenses in operating expenses	28,212,097.17	55,736,092.69
Other	17,936,597.06	9,693,507.91

## 2. Other cash received and paid relating to investing activities

Item	This Period	Previous period
Other cash received relating to investing activities	10,024,451.00	
Where: Term deposits and structured deposits	10,000,000.00	
Other	24,451.00	
Other cash paid relating to investing activities		

## 3. Other cash received and paid relating to financing activities

Item	This Period	Previous period
Other cash received relating to financing activities		30,000,000.00
Where: Interest-free loan received from Shandong Shengli Investment Co., Ltd., a shareholder, to the listed company		30,000,000.00
Other cash paid relating to financing activities	19,230,280.21	123,620,000.00
Where: Repayment of interest-free loan from Shandong Shengli Investment Co., Ltd. to the listed company		30,000,000.00
Financing-related deposits and time deposits paid	14,005,000.00	79,840,000.00
Payments for purchase of minority interests		13,780,000.00
Payments for lease liabilities	5,225,280.21	

## (56) Supplementary information to the cash flow statement

## 1. Supplementary information to the cash flow statement

Item	This Period	Previous period
1、Adjustment of net profit to cash flows from operating activities		
Net profit	194,216,457.35	109,663,408.21
Add: Asset impairment loss	-38,364.90	584.98
Credit impairment loss	2,631,949.97	-2,589,150.54
Fixed asset depreciation, oil and gas asset depreciation and productive biological asset, rights-of-use depreciation	58,575,955.30	46,403,976.86
Intangible asset amortisation	1,686,365.98	1,660,655.42
Amortization of long-term deferred expenses	1,432,291.39	5,558,927.40
Loss on disposal of fixed assets, intangible assets and other long-term assets (with gains denoted by a "-")	-3,943,005.79	11,476.49
Loss on retirement of fixed assets (with gains denoted by "-")	2,526,417.66	
Loss on changes in fair value (with gains denoted by "-")		
Financial expenses (with gains denoted by a "-")	81,214,179.28	57,775,742.77
Investment losses (with gains denoted by a "-")	-231,037,351.40	-12,911,873.02
Decrease in deferred income tax assets (with increase denoted by a "-")	50,311,673.78	93,900.38
Increase in deferred income tax liabilities (with decrease denoted by a "-")	1,248,447.37	4,296,696.32
Decrease in inventories (with increase denoted by a "-")	-23,633,572.33	3,985,716.36
Decrease in operating receivables (with increase denoted by a "-")	1,607,774.63	140,871,229.46
Increase in operating payables (with decrease denoted by a "-")	-168,423,187.87	-211,592,964.58
Other		
Net cash flows from operating activities	-31,623,969.58	143,228,326.51
2、Significant investment and financing activities that do not involve cash flow		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets leased-in under Finance Lease		
3、Net changes in cash and cash equivalents		
Closing cash balance	270,508,148.31	549,272,298.81
Less: Opening cash balance	452,776,929.69	548,012,544.63
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-182,268,781.38	1,259,754.18

## 2. Net cash paid during the year for acquisition of a subsidiary

Item	Amount
cash or cash equivalents paid during the period for business combination in previous periods	15,000,000.00
Where: Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	15,000,000.00
Net cash paid for acquisition of subsidiaries	15,000,000.00

## 3. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	270,508,148.31	452,776,929.69
Where: Cash in stock	655,736.24	365,518.48
Bank deposits readily available for payment	269,852,412.07	452,411,411.21
Other monetary funds readily available for payment		
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	270,508,148.31	452,776,929.69

## (57) Assets with restricted ownership or right to use

Item	Amount	Reason for restriction on ownership or right to use
I. Assets used as collateral	Net value at end of period	
Buildings and land	206,811,667.85	Assets used as collateral for borrowings
Subtotal	206,811,667.85	
II. Assets used for pledge	Closing amount	
Shareholding in the Company	840,085,588.12	Assets pledged for borrowings
Subtotal	840,085,588.12	
III. Assets with restricted ownership rights due to other reasons	Closing amount	
Acceptance Draft Security Deposit	245,919,357.96	Security deposit
Letter of Credit Security Deposit	19,144,045.98	Security deposit
Time Deposit Certificate and Interest	139,673,682.19	Pledged and not readily available for withdrawal
payments via POS, WeChat, Alipay and other third party platforms	218,477.52	Cannot be withdrawn for use on the same day
Subtotal	404,955,563.65	
Total	1,451,852,819.62	

## VI. Changes to the scope of consolidation

## (1) Other reasons for change in scope of consolidation

In 2021, the Company established a new company, Bazhou Shengshun New Energy Development Co., Ltd.

## VII. Interests in other entities

## (1) Interests in Subsidiaries

## 1. Composition of the Group

Subsidiary Name	Registration place	Main place of operation	Nature of business	Shareholding (%)	Means of acquisition
Shaanxi Huashan Shengbang Plastic Co., Ltd.	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Manufacturing	51.00	Incorporation
Qingdao Shengli Petrochemical Products Sales. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Trade	94.00	Incorporation
Shandong Shengbang Plastic Co., Ltd.	Dongying City, Shandong Province	Dongying City, Shandong Province	Manufacturing	80.00	Incorporation
Shandong Shengbang Pipeline Technology Co., Ltd.	Dongying City, Shandong Province	Dongying City, Shandong Province	Manufacturing	80.00	Incorporation
Chongqing Shengbang Pipeline Co., Ltd.	Chongqing	Chongqing	Manufacturing	80.00	Incorporation
Shandong Shengli Import & Export Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Trade	100.00	Incorporation
Qingdao Shengli Meijiuhui Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Catering	100.00	Incorporation
Shandong Lihuasheng Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	Qinzhou City, Guangxi Province	Qinzhou City, Guangxi Province	Natural Gas	81.00	Incorporation
Shandong Huasheng Energy Co., Ltd.	Yanzhou City, Shandong Province	Yanzhou City, Shandong Province	Natural Gas	60.00	Incorporation
Shandong Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Incorporation
Dezhou Shengli Luban Energy Co., Ltd.	Dezhou, Shandong Province	Dezhou, Shandong Province	Natural Gas	80.00	Incorporation
Ji'Nan Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	50.00	Incorporation
Heze Shengli Natural Gas Co., Ltd.	Heze City, Shandong Province	Heze City, Shandong Province	Natural Gas	100.00	Incorporation
Rizhao Natural Gas Co., Ltd.	Rizhao City, Shandong Province	Rizhao City, Shandong Province	Natural Gas	100.00	Incorporation
Dezhou Shengli Natural Gas Co., Ltd.	Dezhou, Shandong Province	Dezhou, Shandong Province	Natural Gas	100.00	Incorporation
Linyi Shengli Energy Co., Ltd.	Linyi City, Shandong Province	Linyi City, Shandong Province	Natural Gas	76.00	Incorporation
Taian Shengli Energy Co., Ltd.	Tai'an City, Shandong Province	Tai'an City, Shandong Province	Natural Gas	51.00	Incorporation
Weifang Shengli Natural Gas Co., Ltd.	Weifang City, Shandong Province	Weifang City, Shandong Province	Natural Gas	100.00	Incorporation
Binzhou Shengli Natural Gas Co., Ltd.	Binzhou, Shandong	Binzhou, Shandong	Natural Gas	100.00	Incorporation
Qingdao Longyu Shengli Energy Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	50.00	Incorporation
Heze Shenghong Gas Co., Ltd.	Heze City, Shandong Province	Heze City, Shandong Province	Natural Gas	90.00	Incorporation

## APPENDIX II

## FINANCIAL INFORMATION OF THE TARGET GROUP

Shandong Shengli Co., Ltd. 2021 Interim Report

Shandong Lihuasheng Transportation Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Transportation	100.00	Incorporation
Qingdao Hengchang Trade. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Trade	100.00	Incorporation
Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Real Estate Properties	100.00	Combination not under common control
Ji'Nan Tianchen Energy Investment Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	100.00	Combination not under common control
Yantai Runtong Energy Co., Ltd.	Yantai City, Shandong Province	Yantai City, Shandong Province	Natural Gas	100.00	Combination not under common control
Shandong Longyu Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	50.00	Business combination not under common control
Dong'a Dongtai Gas Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Combination not under common control
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Combination not under common control
Dong'e Sunshine Clean Energy Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Manufacturing	51.00	Combination not under common control
Qingdao Runhao Natural Gas Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	100.00	Combination under common control
Puyang Boyuan Natural Gas Co., Ltd.	Qingfeng County, Henan Province	Qingfeng County, Henan Province	Natural Gas	51.00	Combination not under common control
Shandong Qinglin Taifeng Trade Co., Ltd.	Liaocheng City, Shandong Province	Liaocheng City, Shandong Province	Natural Gas	60.00	Combination not under common control
Bazhou Shengli Shunda Gas Co., Ltd.	Bazhou, Hebei Province	Bazhou, Hebei Province	Natural Gas	51.00	Combination not under common control
Dalian Shengyi New Energy Development. Co., Ltd.	Dalian City, Liaoning Province	Dalian City, Liaoning Province	Natural Gas	100.00	Combination not under common control
Zibo Lvchuan Gas Co., Ltd.	Zibo City, Shandong Province	Zibo City, Shandong Province	Natural Gas	62.704	Combination not under common control
Anyang Beifang Shengli Gas Co., Ltd.	Anyang City, Henan Province	Anyang City, Henan Province	Natural Gas	60.00	Combination not under common control
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	Wenzhou, Zhejiang Province	Wenzhou, Zhejiang Province	Natural Gas	55.00	Combination not under common control
Tianjin Hengrongda Technology Co., Ltd.	Tianjin City	Tianjin City	Natural Gas	95.00	Combination not under common control
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	Nanchang, Jiangxi Province	Nanchang, Jiangxi Province	Natural Gas	100.00	Combination not under common control
Pengze County Natural Gas Co., Ltd.	Jiujiang City, Jiangxi Province	Jiujiang City, Jiangxi Province	Natural Gas	85.00	Combination not under common control
Chongqing Shengbang Gas Co., Ltd.	Dazu District, Chongqing City	Dazu District, Chongqing City	Natural Gas	100.00	Combination not under common control

Weihai Shengli Huachang Gas Co., Ltd.	Weihai City, Shandong Province	Weihai City, Shandong Province	Natural Gas	94.50	Combination not under common control
Puyang County Boyuan Natural Gas Co., Ltd.	Puyang County, Henan Province	Puyang County, Henan Province	Natural Gas	51.00	Combination not under common control
Wenzhou Shengyang Smart Technology Co., Ltd.	Wenzhou, Zhejiang Province	Wenzhou, Zhejiang Province	Natural Gas	55.00	Incorporation
Bazhou Shengshun Gas Sales Co., Ltd.	Bazhou, Hebei Province	Bazhou, Hebei Province	Natural Gas	51.00	Incorporation
Chongqing Libang Construction Labor Service Co., Ltd.	Dazu District, Chongqing City	Dazu District, Chongqing City	Natural Gas	100.00	Incorporation
Chongqing Zhongbang Gas Equipment Co., Ltd.	Dazu District, Chongqing City	Dazu District, Chongqing City	Natural Gas	100.00	Incorporation
Dong'a County Ruitai Trade Co., Ltd.	Dong'a County, Shandong Province	Dong'a County, Shandong Province	Natural Gas	100.00	Incorporation
Anyang Beisheng New Energy Development Co., Ltd.	Anyang City, Henan Province	Anyang City, Henan Province	Natural Gas	60.00	Incorporation
Puyang Boyuan Energy Technology Co., Ltd.	Qingfeng County, Henan Province	Qingfeng County, Henan Province	Natural Gas	51.00	Incorporation
Zibo Lvchuan Ruyi Gas Safety Technology Co., Ltd.	Zibo City, Shandong Province	Zibo City, Shandong Province	Natural Gas	62.704	Incorporation
Puyang Shengli Clean Energy Co., Ltd.	Puyang County, Henan Province	Puyang County, Henan Province	Natural Gas	60.00	Incorporation
Bazhou Shengshun New Energy Development Co., Ltd.	Bazhou, Hebei Province	Bazhou, Hebei Province	Natural Gas	51.00	Incorporation

## 2. Information on significant non-wholly-owned subsidiary

SN	Company name	Shareholding of minority shareholders (%)	Profit or loss for the period attributable to minority shareholders	Dividends paid to minority shareholders during the period	Cumulative minority interest at the end of the year
1	Shandong Shengbang Plastic Co., Ltd.	20.00	945,097.44	1,673,524.94	40,386,841.67
2	Shandong Huasheng Energy Co., Ltd.	40.00	-4,526,102.27		-4,861,608.21
3	Puyang Boyuan Natural Gas Co., Ltd.	49.00	4,767,607.95		50,209,528.07
4	Bazhou Shengli Shunda Gas Co., Ltd.	49.00	9,493,564.77		128,793,695.56
5	Zibo Lvchuan Gas Co., Ltd.	37.296	4,921,841.89		56,359,040.65
	Total	—	15,602,009.78	1,673,524.94	271,380,490.94

## 3. Key financial information on significant non-wholly owned subsidiaries

Subsidiary Name	Closing balance					Opening balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Total liabilities
Shandong Shengbang Plastic Co., Ltd.	602,180,384.30	98,100,727.28	700,281,111.58	442,303,945.47	498,346,903.21	506,516,321.02	97,174,863.79	603,691,184.81	344,600,825.98	398,114,838.94
Shandong Huasheng Energy Co., Ltd.	15,498,372.63	170,188,241.60	185,686,614.23	196,067,075.12	197,840,634.76	14,983,975.14	172,995,732.87	187,979,708.01	189,141,757.47	189,141,757.47
Puyang Boyuan Natural Gas Co., Ltd.	63,213,053.57	101,617,923.96	164,830,977.53	59,406,878.15	62,362,552.89	74,879,331.22	103,094,329.30	177,973,660.52	82,436,627.88	85,402,319.71
Bazhou Shengli Shunda Gas Co., Ltd.	185,522,247.85	320,257,557.47	505,779,805.32	172,566,663.40	242,935,528.67	367,560,500.31	326,259,234.81	693,819,735.12	379,735,722.65	452,883,029.56
Zibo Lvchuan Gas Co., Ltd.	124,918,033.18	169,633,529.89	294,551,563.07	126,907,294.54	143,438,734.21	135,631,935.36	165,415,304.28	301,047,239.64	146,412,800.48	163,080,652.42
Total	991,332,091.53	859,797,980.20	1,851,130,071.73	994,786,890.68	1,142,459,387.74	1,099,572,063.05	864,939,465.05	1,964,511,528.10	1,142,327,734.46	1,288,622,598.10

Subsidiary Name	This Period			Previous period		
	Operating Income	Net profit	Total comprehensive income	Operating Income	Net profit	Total comprehensive income
Shandong Shengbang Plastic Co., Ltd.	270,955,601.45	4,725,487.21	4,725,487.21	260,584,818.30	14,550,230.60	14,550,230.60
Shandong Huasheng Energy Co., Ltd.	26,873,766.32	-11,315,255.67	-11,315,255.67	29,646,115.44	-12,485,235.81	-12,485,235.81
Puyang Boyuan Natural Gas Co., Ltd.	115,485,550.43	9,729,812.15	9,729,812.15	143,653,111.10	16,790,057.15	16,790,057.15
Bazhou Shengli Shunda Gas Co., Ltd.	321,307,919.28	19,374,621.98	19,374,621.98	355,971,461.34	29,538,078.01	29,538,078.01
Zibo Lvchuan Gas Co., Ltd.	205,540,626.37	13,196,701.77	13,196,701.77	156,098,417.67	42,286,098.87	13,009,154.90
Total	940,163,463.85	35,711,367.44	35,711,367.44	945,953,923.85	90,679,228.82	61,402,284.85

(2) Transactions in which the share of ownership interest in a subsidiary changes without loss of control  
Nil

(3) Interests in joint ventures or associates

1. Particulars of joint ventures and associates

Company name	Main place of operation	Registration place	Nature of business	Shareholding (%)		Accounting treatment
				Direct	Indirect	
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Real Estate Properties	17.00	20.00	Equity method
Qingdao Kunlun Shengli Gas Co., Ltd.	Qingdao City, Shandong Province	Qingdao City, Shandong Province	Natural Gas	49.00		Equity method
Shandong Shengli Bioengineering Co., Ltd.	Jining City, Shandong Province	Jining City, Shandong Province	Biopharmaceuticals	45.00		Equity method
Shandong Kunlun Shengli Energy Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Natural Gas	49.00		Equity method
Shandong Shengbang Plastic Pipeline System Co., Ltd.	Jinan City, Shandong Province	Jinan City, Shandong Province	Plastic pipe projects	40.00		Equity method
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	Rizhao City, Shandong Province	Rizhao City, Shandong Province	Natural Gas	49.00		Equity method
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	Linyi City, Shandong Province	Linyi City, Shandong Province	Natural Gas	30.00		Equity method
Shenxian County PetroChina Kunlun Gas Co., Ltd.	Xin County, Shandong Province	Xin County, Shandong Province	Natural Gas	—	40.00	Equity method

2. Key financial information on significant associates

Item	Closing balance / Amount incurred during the period		Opening balance / Amounts incurred during the previous period	
	Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	Qingdao Kunlun Shengli Gas Co., Ltd.	Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	Qingdao Kunlun Shengli Gas Co., Ltd.
Current assets	1,532,200,556.83	18,778,079.81	1,050,604,309.87	7,906,714.45
Where: Cash and cash equivalents	8,228,386.93	5,592,617.55	65,380,988.05	1,053,395.36
Non-current assets	162,841.20	122,991,494.30	171,308.39	180,573,953.24
Total assets	1,532,363,398.03	141,769,574.11	1,050,775,618.26	188,480,667.69
Current liabilities	194,356,274.60	11,070,717.25	278,401,129.60	38,401,214.93
Non-current liabilities		3,069,469.52		26,146,206.49
Total liabilities	194,356,274.60	14,140,186.77	278,401,129.60	64,547,421.42
Equity attributable to the Shareholders of the Parent Company	1,338,007,123.43	127,629,387.34	772,374,488.66	123,933,246.27
Share in net assets in proportion to shareholding percentage	495,062,635.67	62,538,399.80	285,778,560.82	60,727,290.67
Adjustments	195,292.01	52,702,763.03	195,292.01	52,702,763.03



Where: Goodwill	195,292.01	52,702,763.03	195,292.01	52,702,763.03
Carrying value of equity investments in associates	495,257,927.69	115,165,043.45	285,973,852.83	113,430,053.70
Operating Income	928,549,822.98	142,582,884.06		178,079,425.08
Financial expenses	-178,178.74	1,267,741.74	-30,807.12	-408,570.98
Income tax expenses	188,746,410.00	2,082,420.76		932,417.79
Net profit	565,632,634.77	3,540,795.40	-628,935.48	7,383,696.44
Total comprehensive income	565,632,634.77	3,540,795.40	-628,935.48	7,383,696.44
Dividends received from associates during the year	100,270,000.00	9,945,135.02		

### 3. Summarized financial information of insignificant joint ventures and associates

Item	Closing balance / Amount incurred during the period	Opening balance / Amounts incurred during the previous period
Associates:		
Total carrying amount of investments	363,815,871.67	317,947,816.11
The following are aggregates calculated according to shareholding ratios:		
Net profit	20,018,286.79	9,526,567.89
Total comprehensive income	20,018,286.79	9,526,567.89

### 4. Excess losses incurred in joint ventures or associates

Name of joint ventures or associates	Cumulative unrecognised losses from prior periods	Unrecognised loss for the period (or net profit shared for the period)	Cumulative unrecognised losses at the end of the period
Shengbang Plastic Pipeline System Group Co., Ltd.	13,611,218.85	675.83	13,611,894.68

## VIII. Risks associated with financial instruments

(1) The Company's operations are subject to various financial risks: Market risk, credit risk and liquidity risk. The goal of risk management of the Company is to achieve balance between risk and income, reducing the negative impacts on the operations to the lowest level, and maximizing interests of shareholders and other equity investors. Based on this goal, the basic strategy of risk management for the Company is to ascertain and analyse all the risks that the Company confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

### 1. Market risk

- (1) Foreign exchange risk - exposure to changes in cash flows

The Company's foreign currency funds are settled in a timely manner and the foreign exchange balance is relatively small, resulting in limited foreign exchange risk.

- (2) Interest Rate Risk

Borrowings are all at fixed rates, so the interest rate risk is low.

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### (3) Other price risk

For the risk of price fluctuations of raw materials and finished goods, the Company maintains a reasonable inventory level of raw materials and finished goods to reduce the risk of price fluctuations.

#### 2. Credit Risk

To reduce credit risks, the accounting department of the Company is in charge of setting credit limits, making credit approvals and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue debts. Moreover, the Company supervises every single receivable on every balance sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables.

#### 3. Liquidity risk

It is the Company's policy to periodically review current and anticipated liquidity requirements and compliance with borrowing contracts to ensure that the Company maintains adequate cash reserves while obtaining commitments from major financial institutions to provide sufficient standby funds to meet long and short-term liquidity requirements.

### (2) Fair value

#### 1. Analysis of assets and liabilities measured at fair value within the fair value hierarchy

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Closing balance
I. Ongoing fair value measurement				
(1) Financial assets held for trading		10,000,000.00		10,000,000.00
1. Financial assets classified as at fair value through profit or loss		10,000,000.00		10,000,000.00
(2) Investment properties	72,051,318.00			72,051,318.00
1 ∙ Buildings leased out	72,051,318.00			72,051,318.00
(3) Other equity instrument investments	416,918.39		51,737,850.00	52,154,768.39
1 ∙ Equity investment held in Qingdao Bank	416,918.39			416,918.39
2 ∙ Other equity investments held			51,737,850.00	51,737,850.00

#### 2. Basis for determining market value of ongoing and non-ongoing Level 1 fair value measurements

The Company's investment properties are subsequently measured using fair value as there are unadjusted active market quotes for the Company's investment properties, with the volume and frequency of transactions sufficient to provide pricing information on an ongoing basis.

The Company's equity investment in Qingdao Bank is measured at fair value as the Bank is a listed company with unadjusted market price and its trading volume and frequency are sufficient to provide pricing information on a continuous basis.

## IX. Connected parties and connected transactions

## (1) The largest controlling shareholder of the Company

Name of Shareholder	Means of Shareholding	Shareholding ratio in the Company (%)	Proportion of voting rights over the Company (%)
Shandong Shengli Investment Co., Ltd.	Directly held	9.99	9.99

On 15 July 2021, China Oil and Gas Investment Group Limited executed a Share Transfer Agreement with Jining Qilu Inspection Technology Co., Ltd., Shandong Nuohua Bio-engineering Co., Ltd. and Wang An, under which China Oil and Gas Investment Group Limited was transferred 47,675,503 shares of the listed company held by the aforesaid entities in aggregate, representing 5.42% of the total share capital of the listed company, and the transfer of such shares has been completed.

On 10 August 2021, China Oil and Gas Investment Group Limited executed a Share Transfer Agreement with Shandong Shengli Investment Co., Ltd., Yan Changyong and Sun Guanjie, under which China Oil and Gas Investment Group Limited was transferred 103,624,719 shares of the listed company held by the aforesaid entities in aggregate, representing 11.77% of the total share capital of the listed company; Shandong Shengli Investment Co., Ltd. also issued a Voting Rights Proxy Letter on the same day to unconditionally, irrevocably and irrevocably delegate the voting rights of its remaining 26,386,314 shares in the listed company (representing 3.00% of the total share capital of the listed company) to China Oil and Gas Investment Group Limited. The change of interest is subject to the approval of the shareholders at the general meeting of China Oil and Gas Group Limited (stock code: China Oil and Gas, stock code: 00603.HK), the controlling shareholder of China Oil and Gas Investment Group Limited; the operator concentration review of the State Administration for Market Regulation; and confirmation of compliance by the Shenzhen Stock Exchange and registration of the transfer of shares with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

In summary, upon completion of all the above transactions, the total number of voting shares in the listed company at the effective disposal of China Oil and Gas Investment Group Limited will be 177,686,536 shares (including the voting rights corresponding to 3.00% of the shares held by Shandong Shengli Investment Co., Ltd. and delegated to China Oil and Gas Investment Group Limited for exercise), representing 20.19% of the total share capital of the Company, and China Oil and Gas Investment Group Limited will become the controlling shareholder of the listed company with Mr. Xu Tieliang becoming the beneficiary controller of the listed company.

## (2) Information on the Subsidiaries of the Company

For details please refer to "Note VII. Interests in Other Entities".

## (3) Information about joint ventures and associates of the Company

For the particulars of significant joint ventures or associates of the Company, please refer to "Note VII. Interests in Other Entities".

## (4) Other connected parties of the Company

Name of other connected parties	Relations between other connected parties and the Company
Shandong Shengli Investment Co., Ltd.	The largest shareholder of the Company, who holds 9.99% of the share capital of the Company
Wang Jian	Deputy Chairman
Ji'Nan Fanteng Trade Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see IX, (5), 3)
Shandong Pingtong Civil Works Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see IX, (5), 3)
Shandong Shengdi Landscaping Co., Ltd.	Subsidiaries of the Company of which a director of the Company is the chairman of their board of directors (for details, see IX, (5), 3)

## (5) Connected transactions

## 1. Connected transactions for the purchase and sale of goods, and the provision and acceptance of services

Name of connected party	Type of connected transaction	Content of connected transactions	Pricing and decision-making process for connected transactions	This Period		Previous period	
				Amount	Percentage of the amount in similar transactions (%)	Amount	Percentage of the amount in similar transactions (%)
Purchase of goods and acceptance of services:							
Qingdao Kunlun Shengli Gas. Co., Ltd.	Procurement	Natural Gas	Market Price	11,328,258.83	0.66	11,995,412.84	0.87
Sale of goods, provision of services:							
Qingdao Kunlun Shengli Gas. Co., Ltd.	Sales	Natural Gas	Market Price	613,663.83	0.03	657,771.53	0.04

## 2. Inform on Connected Guarantees

## (1) Guarantees provided for subsidiaries and investee companies

For details, please refer to "(2) 2. Guarantee provided by the Company for the benefit of its subsidiaries and investee companies" in Note X "Commitments and Contingencies".

## (2) Information on Guarantees provided by the Company to other connected parties

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2021-9-27	2023-9-26	No
Shandong Shengli Co., Ltd.	Ji'Nan Fanteng Trade Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2021-11-19	2023-11-18	No
Shandong Shengli Co., Ltd.	Shandong Pingtong Civil Works Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	2,000.00	2022-4-29	2024-4-29	No
Shandong Shengli Co., Ltd.	Shandong Pingtong Civil Works Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	800.00	2022-2-8	2024-2-7	No
Total			4,800.00			

Notes: Shandong Shengdi Landscaping Co., Ltd., Ji'Nan Fanteng Trade Co., Ltd. and Shandong Pingtong Municipal Engineering Co., Ltd. are all wholly-owned subsidiaries of Qilu Property Co., Ltd. and Wang Jian, a deputy chairman of the Company, is the chairman of Qilu Property Co., Ltd..

## 3. Borrowing and lending between connected parties

Connected parties	Borrowing/ Lending	Amount	Description
Shandong Shengli Bioengineering Co., Ltd.	Lending to connected party	33,432,257.33	Interest is charged at bank loan rates for the same period
Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	Lending to connected party	1,984,994.35	Interest is charged at bank loan rates for the same period
Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	Borrowing from connected party	60,000,000.00	interest-free loan

## (6) Payables and receivables with connected parties

## 1. Receivables

Item name	Connected parties	Closing balance		Opening balance	
		Book Balance	Bad debt provision	Book Balance	Bad debt provision
Accounts receivable	Shengbang Plastic Pipeline System Group Co., Ltd.	60,539,091.82	60,539,091.82	60,539,091.82	60,539,091.82
Prepayments	Qingdao Kunlun Shengli Gas. Co., Ltd.	22,903.19		60,348.61	
Dividend receivable	Qingdao Shengtong Coastal Real Estate Co., Ltd.			100,270,000.00	
Dividend receivable	Qingdao Kunlun Shengli Gas. Co., Ltd.			9,945,135.02	
Other receivables	Shandong Shengli Bioengineering Co., Ltd.	33,432,257.33	21,473,624.22	32,720,000.00	21,473,624.22
Other receivables	Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	1,984,994.35	1,984,994.35	1,960,000.00	98,000.00
Accounts receivable	Qingdao Kunlun Shengli Gas. Co., Ltd.	16,612.26	59.80		
Other receivables	Qingdao Kunlun Shengli Gas. Co., Ltd.	35,798.00	1,500.00	30,000.00	1,500.00

## 2. Payables

Item name	Connected parties	Closing balance	Opening balance
Contractual liabilities	Shandong Kunlun Shengli Energy Co., Ltd.	7,990.64	7,990.64
Contractual liabilities	Qingdao Kunlun Shengli Gas. Co., Ltd.		106,871.54
Accounts Payable	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	29,700,000.00	29,700,000.00
Accounts Payable	Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	1,213.00	1,213.00
Other payables	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	671,328.89	671,328.89
Long-term payables	Qingdao Shengtong Coastal Real Estate Development. Co., Ltd.	60,000,000.00	60,000,000.00

## X. Commitments and Contingencies

- (1) There is no commitment.  
 (2) There were no contingencies.

**1. Guarantees provided:****(1) External guarantees provided**

Guarantor	Guaranteed party	Lending Bank	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengdi Landscaping Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2021-9-27	2023-9-26	No
Shandong Shengli Co., Ltd.	Ji'Nan Fanteng Trade Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	1,000.00	2021-11-19	2023-11-18	No
Shandong Shengli Co., Ltd.	Shandong Pingtong Civil Works Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	2,000.00	2022-4-29	2024-4-29	No
Shandong Shengli Co., Ltd.	Shandong Pingtong Civil Works Co., Ltd.	Qilu Bank Co., Ltd. Jinan Lishan East Road Sub-branch	800.00	2022-2-8	2024-2-7	No
Total			4,800.00			

Notes: The Guarantee Start Date is the date when the guarantee obligation is required to be fulfilled after the maturity of the loan, and the Guarantee End Date is the date on which the guarantee obligation is extinguished as agreed in the Guarantee Agreement.

**(2) Guarantee provided by the Company for subsidiaries and investee companies**

Guarantor	Guaranteed party	Guaranteed amount (RMB 10 thousand yuan)	Start on	End on	Fully fulfilled or not
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	4,850.00	2022-11-9	2024-11-8	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	2,000.00	2021-10-30	2023-10-29	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	500.00	2022-2-8	2024-2-7	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	8,000.00	2021-10-21	2023-10-20	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	3,000.00	2022-2-21	2024-2-21	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	4,000.00	2022-2-24	2024-2-23	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	500.00	2022-3-16	2024-3-15	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	1,000.00	2021-8-8	2023-8-7	No
Shandong Shengli Co., Ltd.	Shandong Shengbang Plastic Co., Ltd.	1,000.00	2022-3-30	2024-3-29	No

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Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	2,000.00	2022-3-25	2024-3-24	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,000.00	2021-8-29	2023-8-28	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,000.00	2021-9-17	2023-9-16	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,000.00	2021-12-18	2023-12-17	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	2,000.00	2022-1-7	2024-1-6	No
Shandong Shengli Co., Ltd.	Qingdao Runhao Natural Gas Co., Ltd.	1,000.00	2022-3-15	2024-3-14	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	600.00	2022-6-28	2024-6-27	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	400.00	2022-6-29	2024-6-28	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2022-3-13	2024-3-12	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2022-5-29	2024-5-28	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	800.00	2022-4-17	2024-4-16	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	600.00	2021-9-2	2023-9-1	No
Shandong Shengli Co., Ltd.	Dong'a Dongtai Gas Co., Ltd.	3,000.00	2024-3-25	2026-3-24	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	13,000.00	2021-11-19	2023-11-18	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	1,500.00	2021-9-25	2023-9-24	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	2,000.00	2021-7-31	2023-7-30	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	5,000.00	2022-1-13	2024-1-12	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	3,876.06	2024-1-1	2026-12-31	No
Shandong Shengli Co., Ltd.	Shandong Shengli Import & Export Co., Ltd.	7,752.12	2024-1-1	2026-12-31	No
Shandong Shengli Co., Ltd.	Shandong Lihuasheng Transportation Co., Ltd.	1,000.00	2022-4-23	2024-4-22	No
Shandong Shengli Co., Ltd.	Pengze County Natural Gas Co., Ltd.	1,500.00	2022-6-29	2024-6-28	No
Shandong Shengli Co., Ltd.	Pengze County Natural Gas Co., Ltd.	1,200.00	2023-6-30	2025-6-29	No
Shandong Shengli Co., Ltd.	Pengze County Natural Gas Co., Ltd.	1,000.00	2021-8-27	2023-8-26	No
Shandong Shengli Co., Ltd.	Pengze County Natural Gas Co., Ltd.	1,000.00	2023-2-5	2025-2-4	No



Shandong Shengli Co., Ltd.	Chongqing Shengbang Gas Co., Ltd.	1,700.00	2023-3-31	2025-3-30	No
Shandong Shengli Co., Ltd.	Qinzhou Shengli Natural Gas Utilities Co., Ltd.	850.00	2022-9-4	2024-9-3	No
Shandong Shengli Co., Ltd.	Qinzhou Shengli Natural Gas Utilities Co., Ltd.	2,000.00	2024-1-15	2026-1-14	No
Shandong Shengli Co., Ltd.	Qinzhou Shengli Natural Gas Utilities Co., Ltd.	3,000.00	2022-6-1	2024-5-31	No
Shandong Shengli Co., Ltd.	Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	2,200.00	2022-1-14	2024-1-13	No
Shandong Shengli Co., Ltd.	Bazhou Shengli Shunda Gas Co., Ltd.	2,754.00	2023-6-3	2025-6-2	No
Shandong Shengli Co., Ltd.	Weihai Shengli Huachang Gas Co., Ltd.	50.00	2021-8-8	2023-8-7	No
Shandong Shengli Co., Ltd.	Weihai Shengli Huachang Gas Co., Ltd.	250.00	2021-9-13	2023-9-12	No
Shandong Shengli Co., Ltd.	Shaanxi Huashan Shengbang Plastic Co., Ltd.	357.00	2022-4-22	2024-4-21	No
Shandong Shengli Co., Ltd.	Shaanxi Huashan Shengbang Plastic Co., Ltd.	102.00	2021-12-2	2023-12-1	No
Shandong Shengli Co., Ltd.	Kunlun (Rizhao) Natural Gas Transmission and Distribution. Co., Ltd.	2,695.00	2020-2-12	2022-2-11	No
Total		94,636.18			

Notes: The Guarantee Start Date is the date when the guarantee obligation is required to be fulfilled after the maturity of the loan, and the Guarantee End Date is the date on which the guarantee obligation is extinguished as agreed in the Guarantee Agreement.

The above guarantees were subject to the Company's decision-making and disclosure procedures.

#### XI. Events after the balance sheet date

Nil.

#### XII. Other significant matters

##### (1) Discontinued Operations

Nil.

##### (2) Segment reporting

###### 1. Basis for determination and accounting policy of reporting segments

Basic information on operating segments: The Company and its subsidiaries (collectively, the "Group") operate in natural gas business, equipment material manufacturing and sales business, and trade business among others. The Group organises and manage its businesses separately according to the nature of its operations and the products and services provided.

The Group's operating segments are classified and described as follows:

A. Natural gas business segment: It operates the natural gas sales business;

B. Equipment Material Manufacturing Business Segment: It engages in the sale of raw materials for equipment materials and the production and sale of equipment materials;

C. Trade and other business segments: It deals in finished oil products trade, investment and

other businesses.

The management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment in reporting to the management, which are consistent with the accounting and measurement bases used in the preparation of the financial statements.

## 2. Financial Information by Segments

Item	Natural Gas Business Segment	Equipment Material Manufacturing Business Segment	Trade and Other Business Segment	Inter-segment offsetting	Consolidated Statement Data
I. Operating Income	1,502,728,276.62	562,299,185.86	3,346,285.32	-21,779,893.25	2,046,593,854.54
II. Operating Costs	1,213,176,434.03	517,005,810.28	1,949,525.97	-24,152,895.22	1,707,978,875.06
III. Total profit	114,727,168.74	4,629,733.74	155,875,623.63	2,836,706.01	278,069,232.11
IV. Income tax expenses	30,468,065.53	1,790,294.29	51,905,157.18	-310,742.24	83,852,774.76
V. Net profit	84,259,103.21	2,839,439.45	103,970,466.45	3,147,448.25	194,216,457.35
VI. Total Assets	3,768,590,628.55	933,473,386.37	4,998,778,074.78	-2,972,498,024.77	6,728,344,064.93
VII. Total liabilities	1,937,520,396.94	655,840,501.97	2,399,074,926.57	-1,340,053,056.51	3,652,382,768.97

(3) Save for the above, there are no other material matters that need to be disclosed by the Company.

## XIII. Notes to main items of the parent company's financial statements

### (1) Accounts receivable

#### Accounts receivable by category

Categories	Closing figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
Accounts receivables with provision for bad and doubtful debts on an individual basis				
Accounts receivable with provision for bad and doubtful debts on a group basis	94,970,809.92	100.00	31,635,177.44	33.31
Where: Connected party-based grouping	63,335,632.48	66.69		
Ageing-based grouping	31,635,177.44	33.31	31,635,177.44	100.00
Total	94,970,809.92	100.00	31,635,177.44	33.31

Categories	Opening figure			
	Book Balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Provision ratio (%)
	Accounts receivables with provision for bad and doubtful debts on an individual basis			
Accounts receivable with provision for bad and doubtful debts on a group basis	47,931,043.58	100.00	31,635,381.27	66.00
Where: Connected party-based grouping	16,295,662.31	34.00		
Ageing-based grouping	31,635,381.27	66.00	31,635,381.27	100.00
Total	47,931,043.58	100.00	31,635,381.27	66.00

## 1. Accounts receivable with provision for bad and doubtful debts on a group basis

## (1) Accounts receivable relating to a group of connected parties

Group Name	Closing figure			Opening figure		
	Book Balance	Provision ratio (%)	Bad debt provision	Book Balance	Provision ratio (%)	Bad debt provision
Connected party-based grouping	63,335,632.48			16,295,662.31		

## (2) Ageing-based grouping

Ageing	Closing figure			Opening figure		
	Book Balance	Expected credit loss ratio (%)	Bad debt provision	Book Balance	Expected credit loss ratio (%)	Bad debt provision
Less than 1 year		0.36			0.18	
1 to 2 years		2.80			2.30	
2 to 3 years		16.11			12.75	
3 to 4 years		37.25			40.86	
4 to 5 years		77.69			83.51	
More than 5 years	31,635,177.44	100.00	31,635,177.44	31,635,381.27	100.00	31,635,381.27
Total	31,635,177.44	—	31,635,177.44	31,635,381.27	—	31,635,381.27

## 2. Provision for bad debts for the period:

Categories	Opening balance	Movements during the period			Closing balance
		Provision	Recovery or reversal	Write-off	
Ageing-based grouping	31,635,381.27		203.83		31,635,177.44

## 3. Five largest accounts receivable by debtor at the end of the period

Entity name	Closing balance	Percentage of total accounts receivable (%)	Bad debt provision balance
Shandong Shengbang Plastic Co., Ltd.	52,581,373.66	55.37	
Chongqing Shengbang Gas Co., Ltd.	4,583,747.81	4.83	
Anyang Beifang Shengli Gas Co., Ltd.	2,177,008.32	2.29	
Oilfield Drilling Technology Institute	1,975,802.85	2.08	1,975,802.85
Qingdao Ruifuda Rubber Industry Co. Ltd.	1,589,405.29	1.67	1,589,405.29
Total	62,907,337.93	66.24	3,565,208.14

## (2) Other receivables

Categories	Closing balance	Opening balance
Dividend receivable		56,015,135.02
Other receivables	819,440,153.24	784,757,821.14
Less: Bad debt provision	80,843,265.47	78,954,339.43
Total	738,596,887.77	761,818,616.73

## 1. Dividend receivable

Investee	Closing balance	Opening balance
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.		46,070,000.00
Qingdao Kunlun Shengli Gas Co., Ltd.		9,945,135.02
Total		56,015,135.02

## 2. Other receivables

## (1) Other receivables by nature

Nature of amount	Closing balance	Opening balance
Transactions between Internal Connected Parties	584,592,838.03	553,630,381.83
Security deposit and Guarantee	2,690,069.00	2,690,069.00
Petty cash	36,000.00	
Current accounts and others(Note )	232,121,246.21	228,437,370.31
Less: Bad debt provision	80,843,265.47	78,954,339.43
Total	738,596,887.77	705,803,481.71

Notes: In January 2014, the Company transferred 55% equity interest of Shandong Shengli Bioengineering Co., Ltd, a wholly-owned subsidiary of the Company, to Zhongmu Industrial Co. Ltd. In accordance with the equity transfer agreement, both parties provided financial support to Shandong Shengli Bioengineering Co., Ltd. in proportion to their shareholdings and charged it a capital occupation fee at the bank loan interest rate for the same period. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations. The balance of principal and interest thereon together was RMB33,432,257.33.

The Company has provided financial support of RMB 1,984,994.35, the sum of the principal and interest thereon, to PetroChina Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd., in which the Company has a 49% equity interest, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

The bank loan of RMB20,000,000.00 borrowed by Qingdao Tongyong Plastic Co., Ltd. ("Qingdao Tongyong Plastic") from China Merchants Bank, which was guaranteed by the Company, matured on 10 April, 2016, and as Qingdao General Plastics failed to repay the loan on maturity, the Company fulfilled its guarantee obligations in accordance with the guarantee agreement and paid the principal and interest of RMB20,065,391.67 on the loan. Under the agreement, Qingdao General Plastics provided a collateral-based counter-guarantee for the guarantee provided by the Company with the use rights to 30 mu of land it holds. The Company has pursued the claim through litigation proceedings and won the second trial. The auction procedure of the collateral assets by the court is in progress, and the Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

On 23 January 2017, the Company transferred its equity interest in Shandong Shengbang Lvyue Chemistry Co., Ltd., a subsidiary of the Company and recovered other receivables from that subsidiary by instalments. The aggregate principal and interest balance of the remaining other receivables was RMB 137,676,083.19 as at the end of June 2019. The Company has performed the decision-making and disclosure procedures on the matter in accordance with the regulations.

#### (2) Disclosure of other receivables by aging

Ageing	Closing balance	Opening balance
Less than 1 year	593,288,156.99	528,876,293.40
1 to 2 years	7,884,970.93	38,442,068.08
2 to 3 years	8,410,431.20	10,819,744.55
3 to 4 years	123,621,681.00	123,621,681.00
4 to 5 years	3,236,879.01	22,920,094.96
More than 5 years	82,998,034.11	60,077,939.15
Total	819,440,153.24	784,757,821.14

#### (3) Provisions made for bad debt

Bad debt provision	Stage I	Stage II	Stage III	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (without credit impairment)	Expected credit losses over the entire duration (with credit impairments)	
Opening balance	78,954,339.43			78,954,339.43
Provision for the period	1,888,926.04			1,888,926.04
Reversal during the period				
Closing balance	80,843,265.47			80,843,265.47

#### (4) Provisions for bad debts that are made, recovered or reversed for the period

##### Provision for bad debts for the period:

Categories	Opening balance	Amount of changes during the period		Closing balance
		Provision	Recovery or reversal	
Security deposit and Guarantee	134,503.45	1,080.00		135,583.45
Current accounts and others	78,819,835.98	1,887,846.04		80,707,682.02

## (5) Five largest other receivables by debtor at the end of the period

Name of debtors	Nature of amount	Closing balance	Ageing	Percentage of total other receivables (%)	Bad debt provision balance
Shandong Huasheng Energy Co., Ltd.	Borrowing and lending	182,760,000.00	Less than 1 year	22.30	
Anyang Beifang Shengli Gas Co., Ltd.	Borrowing and lending	147,999,368.00	Less than 1 year	18.06	
Shandong Shengbang Lvyue Chemistry Co., Ltd.	Amount due from Shengbang Lvyue	137,676,083.19	Less than 1 year RMB7,893,667.57, 1-2 years RMB7,801,002.00, 2-3 years RMB2,265,720.97, 3-4 years RMB119,715,682.65	16.80	12,294,464.29
Heze Shengli Natural Gas Co., Ltd.	Borrowing and lending	42,260,777.20	Less than 1 year	5.16	
Shandong Shengli Bioengineering Co., Ltd.	Borrowing and lending	33,432,257.33	Less than 1 year RMB712,257.33, 2-3 years RMB1,578,610.16, 3-4 years RMB1,905,998.35, 4-5 years RMB2,831,081.49, more than 5 years RMB26,404,310.00	4.08	21,473,624.22
Total	— —	544,128,485.72	— —	66.40	33,768,088.51

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### (3) Long-term equity investments

Item	Closing balance			Opening balance		
	Book Balance	Provision for impairment	Carrying amount	Book Balance	Provision for impairment	Carrying amount
Investments in subsidiaries	2,673,830,122.02		2,673,830,122.02	2,673,830,122.02		2,673,830,122.02
Investments in affiliates and joint ventures	725,460,266.70	30,387,267.77	695,072,998.93	607,718,396.36	30,387,267.77	577,331,128.59
Total	3,399,290,388.72	30,387,267.77	3,368,903,120.95	3,281,548,518.38	30,387,267.77	3,251,161,250.61

#### 1. Investments in subsidiaries

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Closing balance of provision for impairment
Shaanxi Huashan Shengbang Plastic Co., Ltd.	29,579,999.99			29,579,999.99	
Qingdao Shengli Petrochemical Products Sales. Co., Ltd.	4,700,000.00			4,700,000.00	
Shandong Shengbang Plastic Co., Ltd.	80,000,000.00			80,000,000.00	
Qingdao Shengxin Binhai Real Estate Development. Co., Ltd.	161,132,057.99			161,132,057.99	
Shandong Shengli Import & Export Co., Ltd.	20,000,000.00			20,000,000.00	
Shandong Lihuasheng Energy Co., Ltd.	100,000,000.00			100,000,000.00	
Qinzhou Shengli Natural Gas Utilities Co., Ltd.	40,500,000.00			40,500,000.00	
Shandong Shengli Energy Co., Ltd.	20,000,000.00			20,000,000.00	
Heze Shengli Natural Gas Co., Ltd.	49,080,000.00			49,080,000.00	
Rizhao Natural Gas Co., Ltd.	9,000,000.00			9,000,000.00	
Dezhou Shengli Natural Gas Co., Ltd.	14,440,000.00			14,440,000.00	
Linyi Shengli Energy Co., Ltd.	8,600,000.00			8,600,000.00	
Taian Shengli Energy Co., Ltd.	1,020,000.00			1,020,000.00	
Weifang Shengli Natural Gas Co., Ltd.	9,000,000.00			9,000,000.00	
Binzhou Shengli Natural Gas Co., Ltd.	8,829,900.00			8,829,900.00	

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Ji'Nan Tianchen Energy Investment Co., Ltd.	10,092,188.89			10,092,188.89	
Yantai Runtong Energy Co., Ltd.	15,000,000.00			15,000,000.00	
Shandong Longyu Shengli Energy Co., Ltd.	17,250,000.00			17,250,000.00	
Dong'a Dongtai Gas Co., Ltd.	236,469,997.44			236,469,997.44	
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	89,627,597.80			89,627,597.80	
Qingdao Runhao Natural Gas Co., Ltd.	90,955,734.61			90,955,734.61	
Shandong Lihuasheng Transportation Co., Ltd.	20,000,000.00			20,000,000.00	
Shandong Qinglin Taifeng Trade Co., Ltd.	11,232,000.00			11,232,000.00	
Bazhou Shengli Shunda Gas Co., Ltd.	165,750,000.00			165,750,000.00	
Dalian Shengyi New Energy Development. Co., Ltd.	66,756,400.00			66,756,400.00	
Zibo Lvchuan Gas Co., Ltd.	127,688,431.80			127,688,431.80	
Anyang Beifang Shengli Gas Co., Ltd.	66,600,000.00			66,600,000.00	
Jiangxi Shangdiansheng Industry Investment Co., Ltd.	103,000,000.00			103,000,000.00	
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	170,000,000.00			170,000,000.00	
Tianjin Hengrongda Technology Co., Ltd.	44,875,957.50			44,875,957.50	
Chongqing Shengbang Gas Co., Ltd.	663,800,000.00			663,800,000.00	
Weihai Shengli Huachang Gas Co., Ltd.	49,480,300.00			49,480,300.00	
Qingdao Shengxin Meijiuhui. Co., Ltd.	900,000.00			900,000.00	
Puyang County Boyuan Natural Gas Co., Ltd.	89,250,000.00			89,250,000.00	
Qingdao Hengchang Trade. Co., Ltd.	79,219,556.00			79,219,556.00	
Total	2,673,830,122.02			2,673,830,122.02	



## 2. Investments in affiliates and joint ventures

Investor	Opening balance	Changes in the period								Closing balance	Closing balance of provision for impairment
		Additional investments	Investment reduction	Investment gains or losses recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Other		
Associates:											
Qingdao Shengtong Coastal Real Estate Development Co., Ltd.	131,548,401.56			96,157,547.91						227,705,949.47	
Shandong Shengli Bioengineering Co., Ltd.	211,914,411.92			19,564,489.62						231,478,901.54	
Shandong Kunlun Shengli Energy Co., Ltd.	23,114,462.82			-163,226.70						22,951,236.12	
Kunlun (Rizhao) Natural Gas Transmission and Distribution Co., Ltd.	41,485,310.47			-585,516.72						40,899,793.75	
Linyi Zhongfu Natural Gas Development and Use Co., Ltd.	55,838,488.12			1,035,586.48						56,872,074.60	4,518,749.50
Qingdao Kunlun Shengli Gas Co., Ltd.	113,430,053.70			1,734,989.75						115,165,043.45	25,868,518.27
Total	577,331,128.59			117,741,870.34						695,072,998.93	30,387,267.77

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### (4) Operating income and operating cost

Item	This Period		Previous period	
	Revenue	Cost	Revenue	Cost
I. Subtotal of principal activities	256,074,849.43	254,373,985.77	219,163,680.61	218,791,069.23
Production and sale of equipment materials	256,074,849.43	254,373,985.77	219,163,680.61	218,791,069.23
II. Subtotal of other business	649,787.17		2,637,288.35	
Total	256,724,636.60	254,373,985.77	221,800,968.96	218,791,069.23

### Operating income for the period by the timing of recognition

Revenue Recognition Time	Production and sale of equipment materials	Other operating income
recognised at a point in time	256,074,849.43	649,787.17
Total	256,074,849.43	649,787.17

### (5) Investment income

Item	This Period	Previous period
Income on Long-term equity investments accounted for under the cost method	29,658,740.76	29,411,371.40
Income from long-term equity investment accounted for under the equity method	117,741,870.34	12,570,062.30
Investment income arising from disposal of long-term equity investment		
Total	147,400,611.10	41,981,433.70

## XIV. Supplementary information

### (1) Details on Non-Recurring Profit or Loss for the Period

Item	Amount	Remarks
1. Gains or losses on disposal of non-current assets, including the write-off of provision for impairment of assets	1,416,588.13	
2. Government grants recognised in profit or loss for the period (except for those closely related to the business of the Group and provided at a fixed or quantitative amount in accordance with the national standard)	1,336,077.90	
3. Capital occupation fees charged on non-financial enterprise recognised in profit or loss for the period (Note)	3,679,937.19	
4. Gains and losses arising from changes in the fair value of investment properties subsequently measured using the fair value model		
5. Other non-operating revenue and expenses	-1,521,425.44	
6. Changes in fair value of equity		
7. Less: Effect of income tax	-362,277.99	
8. Less: Effect of minority interests	-400,434.54	
Total	5,673,890.31	

Notes: Fund appropriation fees charged on non-financial enterprise taken into profit or loss for the period

For details please refer to the additional description in Note V.(6).2 Other income.

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**(2) Rate of return on equity and earnings per share**

Profit for the reporting period	Weighted average return on equity (%)		Earnings per share	
			Basic earnings per share	
	This year	Previous year	This year	Previous year
Net profit attributable to ordinary shareholders of the Company	6.94	3.17	0.20	0.089
Net profit after non-recurring profit/loss attributable to ordinary shareholders of the Company	6.72	3.04	0.19	0.085

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### A. SUPPLEMENTARY FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is supplemental financial information of the Target Group for each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 (the “**Relevant Periods**”) which is required for an accountants’ report under Chapter 14 of the Listing Rules but not disclosed in the Target Group’s published consolidated financial statements.

*(Amounts are presented in thousands of Renminbi, and are rounded down to the nearest whole thousands, unless otherwise stated).*

#### 1. Directors’ emoluments

Directors’ emoluments for the Relevant Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Directors’ fees	—	—	—	—	—
Salaries, allowances and benefits in kind	2,885	4,329	5,932	4,235	13,484
Pension scheme contributions	239	185	107	57	94
	<u>3,124</u>	<u>4,514</u>	<u>6,039</u>	<u>4,292</u>	<u>13,578</u>

#### 2. Five highest paid individuals

The emoluments of the five highest paid individuals, other than directors, during the Relevant Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, allowances and benefits in kind	3,746	3,859	4,008	3,239	3,662
Pension scheme contributions	255	249	215	147	234
	<u>4,001</u>	<u>4,108</u>	<u>4,223</u>	<u>3,386</u>	<u>3,896</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

The number of employees, other than directors, whose emoluments fell within the following band were as follows:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
Within RMB1,000,000	3	3	1	3	2
RMB1,000,001 to RMB2,000,000	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>

### 3. Ageing analysis of trade receivables

The ageing analysis of trade receivables based on invoice date was as follows:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	274,224	342,234	306,025	328,094
Over 1 year but within 2 years	40,894	59,376	58,372	55,345
Over 2 years but within 5 years	<u>5,106</u>	<u>16,353</u>	<u>18,222</u>	<u>17,605</u>
	<u>320,224</u>	<u>417,963</u>	<u>382,619</u>	<u>401,044</u>

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**4. Ageing analysis of trade payables**

The ageing analysis of trade payables based on invoice date was as follows:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	299,429	248,305	263,675	183,090
Over 1 year but within 2 years	28,964	74,732	38,806	29,806
Over 2 years but within 3 years	10,994	10,781	44,778	24,706
Over 3 years	18,589	24,266	20,283	39,458
	<u>357,976</u>	<u>358,084</u>	<u>367,542</u>	<u>277,060</u>

**5. Auditor's remuneration**

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Audit service	991	991	991	495	495
Non-audit services	1,125	817	266	—	82
	<u>2,116</u>	<u>1,808</u>	<u>1,257</u>	<u>495</u>	<u>577</u>

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**6. Bank and other borrowings**

Carrying amounts of bank and other borrowings that were payable:

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
On demand or within 1 year	1,125,360	1,065,660	1,304,309	1,320,207
More than 1 year but within 2 years	30,000	—	—	187,990
More than 2 years but within 5 years	134,500	180,340	401,742	225,288
	<u>1,289,860</u>	<u>1,246,000</u>	<u>1,706,051</u>	<u>1,733,485</u>

**7. Investment properties**

The Target Group's investment properties are situated in the PRC and are held under lease terms of 41 years.

Details of the Target Group's investment properties and information about the fair value hierarchy as at 31 December 2018, 2019 and 2020 and 30 June 2021 were as follows:

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Level 3	<u>82,388</u>	<u>77,220</u>	<u>72,051</u>	<u>72,052</u>

There were no transfers between Level 1, 2 and 3 during the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

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In determining the fair value of the investment properties, the following inputs to the valuation model have been used.

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Valuation techniques	Direct comparison method based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject property.	Direct comparison method based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject property.	Direct comparison method based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject property.	Direct comparison method based on market observable transactions of similar properties and adjusted to reflect the locations and conditions of the subject property.
Significant unobservable inputs	Price per square meter, using market direct comparables and taking into account of location and other individual factors such as floor of level, timing and size of property, etc.	Price per square meter, using market direct comparables and taking into account of location and other individual factors such as floor of level, timing and size of property, etc.	Price per square meter, using market direct comparables and taking into account of location and other individual factors such as floor of level, timing and size of property, etc.	Price per square meter, using market direct comparables and taking into account of location and other individual factors such as floor of level, timing and size of property, etc.
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value.	The higher the price per square meter, the higher the fair value.	The higher the price per square meter, the higher the fair value.	The higher the price per square meter, the higher the fair value.



**B.    DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY (HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)) AND THE TARGET GROUP (CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE (“CAS”))**

As described in the section headed “Letter from the Board — Waiver from Strict Compliance with the Requirements under the Listing Rules” of this circular, the Company has applied to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for, and been granted, a waiver from the requirement to include in this circular an accountants’ report on the Target Group in accordance with Rule 14.67(6)(a)(i) and Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange.

Instead, Section A of this Appendix contains a copy of the:

- (a) English translation of consolidated financial statements of the Target Group for the three financial years ended 31 December 2018, 2019 and 2020, which were prepared in accordance with CAS and audited by WUYIGE Certified Public Accountants LLP, Beijing, the People’s Republic of China (“**Daxin**”); and
- (b) English translation of unaudited interim consolidated financial statements of the Target Group for the six months ended 30 June 2021, which were prepared in accordance with CAS.

The financial information included in Section A of this Appendix are referred hereinafter as “**Target Group Historical Financial Information**”. The Target Group Historical Financial Information cover the financial positions of the Target Group as at 31 December 2018, 2019 and 2020 and 30 June 2021 and the financial performance of the Target Group for each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 (the “**Relevant Periods**”).

The accounting policies adopted in the preparation of the Target Group Historical Financial Information differ in certain material respects from the accounting policies presently adopted by the Company which comply with HKFRS. Differences, other than presentational differences, which would have a significant effect on the Target Group Historical Financial Information had they been prepared in accordance with the accounting policies presently adopted by the Company rather than in accordance with CAS for the Target Group Historical Financial Information, are set out below in the section entitled “**Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies**”.

In particular, disclosure is set out providing:

- (a) a comparison between the Target Group’s consolidated income statements as extracted from the Target Group Historical Financial Information on the one hand (prepared in accordance with CAS), and a restatement of such consolidated income statements had they instead been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such restatement is set out below;
- (b) a comparison between the Target Group’s consolidated balance sheets as extracted from the Target Group Historical Financial Information on the one hand (prepared in accordance with CAS), and a restatement of such consolidated balance sheets had they instead been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with HKFRS. The process applied in the preparation of such restatement is also set out below; and
- (c) a discussion of the material financial statements line item differences arising out of the restatement exercise outlined in (a) and (b) above.

(The reconciliation for the Target Group Historical Financial Information is referred to as the “**Reconciliation Information**”).

### **Basis of Preparation**

The Reconciliation Information for the Relevant Periods restates the “**Unadjusted Financial Information under CAS**” of the Target Group which are extracted from the Target Group Historical Financial Information and quantified adjustments to financial information as if it had been prepared in accordance with the accounting policies adopted by the Company which are in compliance with HKFRS.

### **Reconciliation Process**

The Reconciliation Information has been prepared by the directors of the Company by comparing the differences between the accounting policies adopted by the Target Group for the preparation of Unadjusted Financial Information under CAS of the Target Group for the Relevant Periods, and the accounting policies presently adopted by the Company which are in compliance with HKFRS, and quantifying the relevant material financial effects of such differences, if any.

Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of the Target Group’s financial positions as at 31 December 2018, 2019 and 2020 and 30 June 2021, nor its financial performance for each of the Relevant Periods then ended under the accounting policies presently adopted by the Company which are in compliance with HKFRS.

PKF Hong Kong Limited (“**PKF Hong Kong**”) was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“**HKSAE 3000 (Revised)**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) on the Reconciliation Information. The work consisted primarily of:

- (i) comparing the “Unadjusted Financial Information under CAS” as set out below in the section entitled “Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies” with the Target Group Historical Financial Information that has been included in Section A of the Appendix II of this circular;

- (ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the “**Adjusted Financial Information under the Company’s Policies**” that is also set out below in the section entitled “Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies”, which included examining the differences between the Target Group’s accounting policies and the Company’s accounting policies; and
- (iii) checking the arithmetic accuracy of the computation of the “Adjusted Financial Information under the Company’s Policies”.

PKF Hong Kong’s engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, PKF Hong Kong did not express an audit opinion nor a review conclusion on the Reconciliation Information. PKF Hong Kong’s engagement was intended solely for the use of the directors of the Company in connection with this circular and may not be suitable for another purpose. Based on the work performed, PKF Hong Kong has concluded that:

- (i) the “Unadjusted Financial Information under CAS” as set out in the section entitled “Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies” is in agreement with the Target Group Historical Financial Information;
- (ii) the adjustments reflect, in all material respects, the differences between the Target Group’s accounting policies and the Company’s accounting policies; and
- (iii) the computation of the “Adjusted Financial Information under the Company’s Policies” is arithmetically accurate.

**Target Group's Unaudited Adjusted Financial Information under the Company's Policies**

The Target Group Historical Financial Information for the Relevant Periods has been prepared and presented in accordance with CAS. Except for presentation difference, there are no material differences between the Target Group Historical Financial Information, compared to that applying the accounting policies adopted by the Company which are in compliance with HKFRS other than as set out below:

- (1) Matters relating to the application of HKFRS 15 “Revenue from Contracts with Customers”
- (2) Matters relating to the application of HKFRS 9 “Financial Instruments”
- (3) Matters relating to the application of HKFRS 16 “Leases”

Matters (1) to (3) are collectively referred to as “GAAP difference adjustments”.

- (4) Matters related to reclassification adjustments of accounts (“Reclassification adjustments”)

Presentation adjustments for the consolidated balance sheet and consolidated income statement in report of each of the Relevant Periods are set out in “(5) Matters related to presentation adjustments (“**Presentation adjustments**”)”.

The consolidated statements of cash flows are not presented as there are no significant differences except for presentation differences.

*(Amounts are presented in thousands of Renminbi, and are rounded down to the nearest whole thousands, unless otherwise stated).*

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

**Consolidated balance sheet**

As at 31 December 2018

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
<b>Assets</b>					
<i>Non-current assets</i>					
Fixed assets	1,465,879	—	126,221	—	1,592,100
Construction in progress	197,665	—	—	—	197,665
Investment properties	82,388	—	—	—	82,388
Intangible assets	123,587	—	(120,593)	—	2,994
Available-for-sale financial assets	77,265	(77,265)	—	—	—
Long-term equity investments	778,173	—	—	(778,173)	—
Investments accounted for using the equity method	—	—	—	778,173	778,173
Financial assets at fair value through other comprehensive income	—	77,265	—	—	77,265
Goodwill	1,229,406	—	—	—	1,229,406
Long-term deferred expenses	16,004	—	(5,628)	(10,376)	—
Deferred tax assets	193,744	(4,036)	—	—	189,708
Other non-current assets	47,439	—	(47,439)	10,376	10,376
	<u>4,211,550</u>	<u>(4,036)</u>	<u>(47,439)</u>	<u>—</u>	<u>4,160,075</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE TARGET GROUP**

As at 31 December 2018

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
<b>Assets</b>					
<i>Current assets</i>					
Inventories	447,247	—	—	—	447,247
Contract assets	—	29,398	—	—	29,398
Notes receivables	40,901	—	—	(40,901)	—
Trade receivables	320,224	(11,102)	—	40,901	350,023
Prepayments	147,301	—	—	—	147,301
Other receivables	183,521	2,568	(43,905)	—	142,184
Other current assets	56,345	—	(56,345)	—	—
Consideration receivables	—	—	131,667	—	131,667
Loans to associates	—	—	13,569	—	13,569
Current tax recoverable	—	—	2,453	—	2,453
Monetary funds	1,019,938	—	(1,019,938)	—	—
Pledged deposits	—	—	279,000	—	279,000
Time deposits with maturity over three months	—	—	189,000	—	189,000
Cash and cash equivalents	—	—	551,938	—	551,938
	<u>2,215,477</u>	<u>20,864</u>	<u>47,439</u>	<u>—</u>	<u>2,283,780</u>
<b>Total assets</b>	<b><u>6,427,027</u></b>	<b><u>16,828</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>6,443,855</u></b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
Trade payables	357,976	—	—	660,000	1,017,976
Notes payables	660,000	—	—	(660,000)	—
Advance receipts	544,092	(490,549)	—	(53,543)	—
Contract liabilities	—	490,549	—	—	490,549
Employee benefits payable	35,815	—	—	(35,815)	—
Taxes payables	54,366	—	(54,366)	—	—
Other payables	157,531	—	(37,242)	89,358	209,647
Consideration payables					
— current	—	—	144,310	—	144,310
Amounts due to associates	—	—	678	—	678
Amounts due to related parties					
— current	—	—	474	—	474
Non-current liabilities due within one year	149,717	—	(149,717)	—	—
Short-term borrowings and borrowings due within one year	1,090,760	—	34,600	—	1,125,360
Obligations under finance lease					
— current	—	—	26,667	—	26,667
Current tax payable	—	—	34,596	—	34,596
	<u>3,050,257</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,050,257</u>

As at 31 December 2018

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
<b>Liabilities</b>					
<i>Non-current liabilities</i>					
Long-term borrowings	164,500	—	—	—	164,500
Long-term payables	443,683	—	(443,683)	—	—
Consideration payables					
— non-current	—	—	330,350	—	330,350
Amounts due to related parties					
— non-current	—	—	60,000	—	60,000
Deferred revenue	12,075	—	—	—	12,075
Deferred tax liabilities	19,256	—	—	—	19,256
Obligations under finance lease					
— non-current	—	—	53,333	—	53,333
	639,514	—	—	—	639,514
<b>Total liabilities</b>	3,689,771	—	—	—	3,689,771
<b>Equity</b>					
<i>Equity attributable to owners of the Company</i>					
Share capital	880,085	—	—	—	880,085
Capital reserves	1,011,908	—	—	—	1,011,908
Special reserves	7,970	—	—	—	7,970
Surplus reserves	130,840	—	—	—	130,840
Retained profits	240,690	12,585	—	—	253,275
	2,271,493	12,585	—	—	2,284,078
Non-controlling interests	465,763	4,243	—	—	470,006
<b>Total equity</b>	2,737,256	16,828	—	—	2,754,084
<b>Total equity and liabilities</b>	6,427,027	16,828	—	—	6,443,855



## Consolidated income statement

For the year ended 31 December 2018

	Unadjusted financial information under CAS (audited) RMB'000	GAAP difference adjustments (unaudited) RMB'000 (Notes 1, 2 and 3)	Reclassification adjustments (unaudited) RMB'000 (Note 4)	Presentation adjustments (unaudited) RMB'000 (Note 5)	Adjusted financial information under the Company's policies (unaudited) RMB'000
Revenue	4,675,800	—	—	—	4,675,800
Cost of sales	(3,936,743)	—	—	—	(3,936,743)
Gross profit	739,057	—	—	—	739,057
Tax and surcharges	(12,960)	—	—	12,960	—
Other income	5,488	—	—	2,218	7,706
Other losses, net	—	—	—	(9,356)	(9,356)
Selling and distribution costs	(247,414)	—	—	—	(247,414)
Administrative expenses	(132,377)	—	(4,478)	(14,167)	(151,022)
Research and development expenses	(17,663)	—	—	—	(17,663)
Impairment losses	—	(14,200)	—	(29,377)	(43,577)
Loss on asset impairment	(52,547)	23,170	—	29,377	—
Financial expenses	(99,334)	—	99,334	—	—
Gain on disposal of fixed assets	586	—	—	(586)	—
Fair value changes on investment properties	(6,050)	—	—	6,050	—
Share of results of investments accounted for using the equity method, net	—	—	62,780	—	62,780
Operating profit	176,786	8,970	157,636	(2,881)	340,511
Finance income	—	—	19,486	—	19,486
Finance costs	—	—	(114,342)	—	(114,342)
Investment income	58,888	—	(62,780)	3,892	—
Non-operating income	2,218	—	—	(2,218)	—
Non-operating expenses	(1,207)	—	—	1,207	—
Profit before taxation	236,685	8,970	—	—	245,655
Taxation	(54,795)	(4,036)	—	—	(58,831)
Profit for the year	<u>181,890</u>	<u>4,934</u>	<u>—</u>	<u>—</u>	<u>186,824</u>
Profit attributable to:					
Owners of the Company	102,530	4,934	—	—	107,464
Non-controlling interests	79,360	—	—	—	79,360
	<u>181,890</u>	<u>4,934</u>	<u>—</u>	<u>—</u>	<u>186,824</u>

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP**

**Consolidated balance sheet**

**As at 31 December 2019**

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
<b>Assets</b>					
<i>Non-current assets</i>					
Fixed assets	1,588,180	—	(66,515)	—	1,521,665
Construction in progress	215,260	—	—	—	215,260
Right-of-use assets	—	113,567	185,287	—	298,854
Investment properties	77,220	—	—	—	77,220
Intangible assets	113,470	—	(113,470)	—	—
Other equity instrument investments	71,525	(71,525)	—	—	—
Long-term equity investments	829,037	—	—	(829,037)	—
Investments accounted for using the equity method	—	—	—	829,037	829,037
Financial assets at fair value through other comprehensive income	—	71,525	—	—	71,525
Goodwill	1,285,537	—	—	—	1,285,537
Long-term deferred expenses	16,265	(10,600)	(5,302)	(363)	—
Deferred tax assets	187,479	—	—	—	187,479
Other non-current assets	50,974	—	(50,974)	363	363
	4,434,947	102,967	(50,974)	—	4,486,940

As at 31 December 2019

	Unadjusted financial information under CAS (audited) RMB'000	GAAP difference adjustments (unaudited) RMB'000 (Notes 1, 2 and 3)	Reclassification adjustments (unaudited) RMB'000 (Note 4)	Presentation adjustments (unaudited) RMB'000 (Note 5)	Adjusted financial information under the Company's policies (unaudited) RMB'000
<b>Assets</b>					
<i>Current assets</i>					
Inventories	413,548	—	—	—	413,548
Contract assets	—	36,676	—	—	36,676
Notes receivables	—	—	—	—	—
Trade receivables	417,963	(36,676)	—	45,179	426,466
Trade receivables financing	45,179	—	—	(45,179)	—
Prepayments	227,028	(9,133)	—	—	217,895
Other receivables	179,715	—	(41,654)	—	138,061
Other current assets	50,914	—	(50,914)	—	—
Consideration receivables	—	—	126,496	—	126,496
Loans to associates	—	—	11,876	—	11,876
Current tax recoverable	—	—	5,170	—	5,170
Monetary funds	740,019	—	(740,019)	—	—
Pledged deposits	—	—	170,180	—	170,180
Time deposits with maturity over three months	—	—	20,550	—	20,550
Cash and cash equivalents	—	—	549,289	—	549,289
	2,074,366	(9,133)	50,974	—	2,116,207
<b>Total assets</b>	<b>6,509,313</b>	<b>93,834</b>	<b>—</b>	<b>—</b>	<b>6,603,147</b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
Trade payables	358,084	—	—	549,620	907,704
Notes payables	549,620	—	—	(549,620)	—
Advance receipts	689,380	(633,005)	—	(56,375)	—
Contract liabilities	—	633,005	—	—	633,005
Employee benefits payable	59,022	—	—	(59,022)	—
Taxes payables	29,866	—	(29,866)	—	—
Other payables	156,155	—	(51,697)	118,861	223,319
Consideration payables					
— current	—	—	135,053	—	135,053
Amounts due to associates	—	—	671	—	671
Amounts due to related parties					
— current	—	—	1,982	—	1,982
Non-current liabilities due within one year	242,602	—	(240,777)	(1,825)	—
Short-term borrowings and borrowings due within one year	926,639	—	140,660	(1,639)	1,065,660
Current tax payable	—	—	17,307	—	17,307
Lease liabilities — current	—	6,878	26,667	—	33,545
	3,011,368	6,878	—	—	3,018,246

As at 31 December 2019

	Unadjusted financial information under CAS (audited) RMB'000	GAAP difference adjustments (unaudited) RMB'000 (Notes 1, 2 and 3)	Reclassification adjustments (unaudited) RMB'000 (Note 4)	Presentation adjustments (unaudited) RMB'000 (Note 5)	Adjusted financial information under the Company's policies (unaudited) RMB'000
<b>Liabilities</b>					
<i>Non-current liabilities</i>					
Long-term borrowings	180,340	—	—	—	180,340
Long-term payables	348,567	—	(348,567)	—	—
Lease liabilities					
— non-current	—	91,957	26,667	—	118,624
Consideration payables					
— non-current	—	—	261,900	—	261,900
Amounts due to related parties					
— non-current	—	—	60,000	—	60,000
Deferred revenue	16,789	—	—	—	16,789
Deferred tax liabilities	40,257	—	—	—	40,257
	585,953	91,957	—	—	677,910
<b>Total liabilities</b>	3,597,321	98,835	—	—	3,696,156
<b>Equity</b>					
<i>Equity attributable to owners of the Company</i>					
Share capital	880,085	—	—	—	880,085
Capital reserves	1,012,999	—	—	—	1,012,999
Special reserves	11,057	—	—	—	11,057
Surplus reserves	139,974	—	—	—	139,974
Revaluation reserve	336	—	—	—	336
Retained profits	377,568	(5,001)	—	—	372,567
	2,422,019	(5,001)	—	—	2,417,018
Non-controlling interests	489,973	—	—	—	489,973
<b>Total equity</b>	2,911,992	(5,001)	—	—	2,906,991
<b>Total equity and liabilities</b>	6,509,313	93,834	—	—	6,603,147

## Consolidated income statement

For the year ended 31 December 2019

	Unadjusted Financial Information under CAS (audited) RMB'000	GAAP difference adjustments (unaudited) RMB'000 (Notes 1, 2 and 3)	Reclassification adjustments (unaudited) RMB'000 (Note 4)	Presentation adjustments (unaudited) RMB'000 (Note 5)	Adjusted Financial Information under the Company's Policies (unaudited) RMB'000
Revenue	5,348,283	—	—	—	5,348,283
Cost of sales	(4,542,512)	—	—	—	(4,542,512)
Gross profit	805,771	—	—	—	805,771
Tax and surcharges	(14,532)	—	—	14,532	—
Other income	4,184	—	—	4,901	9,085
Other gains/(losses), net	—	—	—	(2,407)	(2,407)
Selling and distribution costs	(299,122)	(369)	—	—	(299,491)
Administrative expenses	(148,529)	—	(3,299)	(17,531)	(169,359)
Research and development expenses	(19,281)	—	—	—	(19,281)
Impairment losses	—	479	—	(18,704)	(18,225)
Loss on credit impairment	479	(479)	—	—	—
Loss on asset impairment	(18,704)	—	—	18,704	—
Financial expenses	(78,187)	—	78,187	—	—
Gain on disposal of fixed assets	718	—	—	(718)	—
Fair value changes on investment properties	(4,886)	—	—	4,886	—
Share of results of investments accounted for using the equity method, net	—	—	56,508	—	56,508
Operating profit	227,911	(369)	131,396	3,663	362,601
Finance income	—	—	25,737	—	25,737
Finance costs	—	(4,632)	(100,625)	—	(105,257)
Investment income	58,269	—	(56,508)	(1,761)	—
Non-operating income	4,901	—	—	(4,901)	—
Non-operating expenses	(2,999)	—	—	2,999	—
Profit before taxation	288,082	(5,001)	—	—	283,081
Taxation	(84,128)	—	—	—	(84,128)
Profit for the year	<u>203,954</u>	<u>(5,001)</u>	<u>—</u>	<u>—</u>	<u>198,953</u>
Profit attributable to:					
Owners of the Company	133,427	(5,001)	—	—	128,426
Non-controlling interests	70,527	—	—	—	70,527
	<u>203,954</u>	<u>(5,001)</u>	<u>—</u>	<u>—</u>	<u>198,953</u>

## Consolidated balance sheet

As at 31 December 2020

	Unadjusted Financial Information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unadjusted) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unadjusted) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
<b>Assets</b>					
<i>Non-current assets</i>					
Fixed assets	1,791,339	—	(63,013)	—	1,728,326
Construction in progress	178,824	—	—	—	178,824
Right-of-use assets	—	102,592	182,252	—	284,844
Investment properties	72,051	—	—	—	72,051
Intangible assets	113,352	—	(113,308)	—	44
Other equity instrument investments	52,235	(52,235)	—	—	—
Long-term equity investments	743,202	—	—	(743,202)	—
Investments accounted for using the equity method	—	—	—	743,202	743,202
Financial assets at fair value through other comprehensive income	—	52,235	—	—	52,235
Development costs	598	—	—	—	598
Goodwill	1,241,259	—	—	—	1,241,259
Long-term deferred expenses	14,751	(8,280)	(5,931)	(540)	—
Deferred tax assets	189,923	—	—	—	189,923
Other non-current assets	38,860	—	(38,860)	540	540
	<u>4,436,394</u>	<u>94,312</u>	<u>(38,860)</u>	<u>—</u>	<u>4,491,846</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE TARGET GROUP**

As at 31 December 2020

	Unadjusted Financial Information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unadjusted) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unadjusted) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
<b>Assets</b>					
<i>Current assets</i>					
Inventories	407,349	—	—	—	407,349
Contract assets	32,042	—	—	—	32,042
Held for trading financial assets	20,000	—	—	(20,000)	—
Financial assets at fair value through profit or loss	—	—	—	20,000	20,000
Trade receivables	382,619	—	—	48,792	431,411
Trade receivables financing	48,792	—	—	(48,792)	—
Prepayments	202,844	(14,225)	—	—	188,619
Other receivables	277,874	—	(56,938)	—	220,936
Other current assets	49,429	—	(49,429)	—	—
Loans to associates	—	—	13,138	—	13,138
Amount due from a related party	—	—	57,000	—	57,000
Amount due from an non-controlling shareholder	—	—	427	—	427
Consideration receivables	—	—	122,463	—	122,463
Current tax recoverable	—	—	9,198	—	9,198
Monetary funds	895,147	—	(895,147)	—	—
Pledged deposits	—	—	200,335	—	200,335
Time deposits with maturity over three months	—	—	139,550	—	139,550
Cash and cash equivalents	—	—	555,262	—	555,262
	2,316,096	(14,225)	95,859	—	2,397,730
<b>Total assets</b>	<b>6,752,490</b>	<b>80,087</b>	<b>56,999</b>	<b>—</b>	<b>6,889,576</b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
Trade payables	367,542	—	—	572,500	940,042
Notes payables	572,500	—	—	(572,500)	—
Contract liabilities	587,662	—	—	—	587,662
Employee benefits payable	46,288	—	—	(46,288)	—
Taxes payables	25,204	—	(25,204)	—	—
Other payables	83,259	—	46,212	50,707	180,178
Other current liabilities	50,963	—	(50,963)	—	—
Consideration payables — current	—	—	150,230	—	150,230
Amounts due to associates	—	—	671	—	671
Amounts due to related parties — current	—	—	6,032	—	6,032
Lease liabilities — current	—	8,675	26,667	—	35,342
Non-current liabilities due within one year	241,980	—	(239,827)	(2,153)	—
Short-term borrowings and borrowings due within one year	1,226,665	—	79,910	(2,266)	1,304,309
Current tax payable	—	—	12,271	—	12,271
	3,202,063	8,675	5,999	—	3,216,737

As at 31 December 2020

	Unadjusted Financial Information under CAS (audited) RMB'000	GAAP difference adjustments (unaudited) RMB'000 (Notes 1, 2 and 3)	Reclassification adjustments (unadjusted) RMB'000 (Note 4)	Presentation adjustments (unadjusted) RMB'000 (Note 5)	Adjusted Financial Information under the Company's Policies (unaudited) RMB'000
<i>Non-current liabilities</i>					
Long-term borrowings	401,742	—	—	—	401,742
Long-term payables	148,450	—	(148,450)	—	—
Lease liabilities — non-current	—	81,533	—	—	81,533
Consideration payables — non-current	—	—	88,450	—	88,450
Amounts due to related parties — non-current	—	—	111,000	—	111,000
Deferred revenue	17,922	—	—	—	17,922
Deferred tax liabilities	80,911	—	—	—	80,911
	649,025	81,533	51,000	—	781,558
<b>Total liabilities</b>	3,851,088	90,208	56,999	—	3,998,295
<b>Equity</b>					
<i>Equity attributable to owners of the Company</i>					
Share capital	880,085	—	—	—	880,085
Capital reserves	952,780	—	—	—	952,780
Special reserves	14,737	—	—	—	14,737
Surplus reserves	151,980	—	—	—	151,980
Revaluation reserve	(18,954)	—	—	—	(18,954)
Retained profits	477,075	(10,121)	—	—	466,954
	2,457,703	(10,121)	—	—	2,447,582
Non-controlling interests	443,699	—	—	—	443,699
<b>Total equity</b>	2,901,402	(10,121)	—	—	2,891,281
<b>Total equity and liabilities</b>	6,752,490	80,087	56,999	—	6,889,576



## Consolidated income statement

For the year ended 31 December 2020

	Unadjusted Financial Information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
Revenue	4,596,361	—	—	—	4,596,361
Cost of sales	(3,818,188)	—	—	—	(3,818,188)
Gross profit	778,173	—	—	—	778,173
Tax and surcharges	(13,423)	—	—	13,423	—
Other income	8,412	—	—	3,512	11,924
Other gains/(losses), net	—	—	—	42,301	42,301
Selling and distribution costs	(225,502)	(725)	—	—	(226,227)
Administrative expenses	(136,118)	—	(3,348)	(23,898)	(163,364)
Research and development expenses	(28,136)	—	—	—	(28,136)
Impairment losses	—	(3,362)	—	(58,897)	(62,259)
Loss on credit impairment	(3,362)	3,362	—	—	—
Loss on asset impairment	(58,897)	—	—	58,897	—
Financial expenses	(87,151)	—	87,151	—	—
Gain on disposal of fixed assets	7,269	—	—	(7,269)	—
Fair value changes on investment properties	35,032	—	—	(35,032)	—
Share of results of investments accounted for using the equity method, net	—	—	28,219	—	28,219
Operating profit	276,297	(725)	112,022	(6,963)	380,631
Finance income	—	—	23,443	—	23,443
Finance costs	—	(4,395)	(107,246)	—	(111,641)
Investment income	28,219	—	(28,219)	—	—
Non-operating income	3,512	—	—	(3,512)	—
Non-operating expenses	(10,475)	—	—	10,475	—
Profit before taxation	297,553	(5,120)	—	—	292,433
Taxation	(81,917)	—	—	—	(81,917)
Profit for the year	<u>215,636</u>	<u>(5,120)</u>	<u>—</u>	<u>—</u>	<u>210,516</u>
Profit attributable to:					
Owners of the Company	142,315	(5,120)	—	—	137,195
Non-controlling interests	73,321	—	—	—	73,321
	<u>215,636</u>	<u>(5,120)</u>	<u>—</u>	<u>—</u>	<u>210,516</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### Consolidated balance sheet

As at 30 June 2021

	Unadjusted Financial Information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
<b>Assets</b>					
<i>Non-current assets</i>					
Fixed assets	1,776,883	—	(62,822)	—	1,714,061
Construction in progress	242,438	—	—	—	242,438
Right-of-use assets	93,583	(7,201)	182,259	—	268,641
Investment properties	72,052	—	—	—	72,052
Intangible assets	114,914	—	(114,871)	—	43
Other equity instrument investments	52,155	(52,155)	—	—	—
Long-term equity investments	974,239	—	—	(974,239)	—
Investments accounted for using the equity method	—	—	—	974,239	974,239
Financial assets at fair value through other comprehensive income	—	52,155	—	—	52,155
Development costs	1,363	—	—	—	1,363
Goodwill	1,241,259	—	—	—	1,241,259
Long-term deferred expenses	6,779	(550)	(4,566)	(1,663)	—
Deferred tax assets	139,611	—	—	—	139,611
Other non-current assets	26,357	—	(26,357)	1,663	1,663
	4,741,633	(7,751)	(26,357)	—	4,707,525

**APPENDIX II**
**FINANCIAL INFORMATION OF THE TARGET GROUP**

As at 30 June 2021

	Unadjusted Financial Information under CAS (audited) RMB'000	GAAP difference adjustments (unaudited) RMB'000 (Notes 1, 2 and 3)	Reclassification adjustments (unaudited) RMB'000 (Note 4)	Presentation adjustments (unaudited) RMB'000 (Note 5)	Adjusted Financial Information under the Company's Policies (unaudited) RMB'000
<b>Assets</b>					
<i>Current assets</i>					
Inventories	430,982	—	—	—	430,982
Contract assets	27,602	—	—	—	27,602
Held for trading financial assets	10,000	—	—	(10,000)	—
Financial assets at fair value through profit or loss	—	—	—	10,000	10,000
Trade receivables	401,044	—	—	70,798	471,842
Trade receivables financing	70,798	—	—	(70,798)	—
Prepayments	159,599	(20,964)	—	—	138,635
Other receivables	170,711	—	(54,444)	—	116,267
Other current assets	40,511	—	(40,511)	—	—
Loans to associates	—	—	11,989	—	11,989
Amount due from a related party	—	—	54,000	—	54,000
Amount due from a non-controlling shareholder	—	—	427	—	427
Consideration receivables	—	—	102,259	—	102,259
Current tax recoverable	—	—	6,638	—	6,638
Monetary funds	675,464	—	(675,464)	—	—
Pledged deposits	—	—	265,063	—	265,063
Time deposits with maturity over three months	—	—	139,674	—	139,674
Cash and cash equivalents	—	—	270,727	—	270,727
	1,986,711	(20,964)	80,358	—	2,046,105
<b>Total assets</b>	<b>6,728,344</b>	<b>(28,715)</b>	<b>54,001</b>	<b>—</b>	<b>6,753,630</b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
Trade payables	277,060	—	—	530,900	807,960
Notes payables	530,900	—	—	(530,900)	—
Contract liabilities	463,829	—	—	—	463,829
Employee benefits payable	29,143	—	—	(29,143)	—
Taxes payables	21,151	—	(21,151)	—	—
Other payables	83,810	—	31,907	32,875	148,592
Consideration payables — current	—	—	135,230	—	135,230
Amounts due to associates	—	—	671	—	671
Amounts due to related parties — current	—	—	6,000	—	6,000
Other current liabilities	42,103	—	(42,103)	—	—
Non-current liabilities due within one year	254,739	(9,247)	(243,503)	(1,989)	—
Short-term borrowings	1,210,030	—	111,920	(1,743)	1,320,207
Obligations under finance lease — current	—	—	—	—	—
Current tax payable	—	—	13,697	—	13,697
Lease liabilities — current	—	8,608	13,333	—	21,941
	2,912,765	(639)	6,001	—	2,918,127

As at 30 June 2021

	Unadjusted Financial Information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
<b>Liabilities</b>					
<i>Non-current liabilities</i>					
Long-term borrowings	413,278	—	—	—	413,278
Long-term payables	148,450	—	(148,450)	—	—
Lease liabilities — non-current	78,228	(14,870)	—	—	63,358
Consideration payables — non-current	—	—	88,450	—	88,450
Amounts due to related parties — non-current	—	—	108,000	—	108,000
Deferred revenue	17,502	—	—	—	17,502
Deferred tax liabilities	82,159	—	—	—	82,159
	<u>739,617</u>	<u>(14,870)</u>	<u>48,000</u>	<u>—</u>	<u>772,747</u>
<b>Total liabilities</b>	<u>3,652,382</u>	<u>(15,509)</u>	<u>54,001</u>	<u>—</u>	<u>3,690,874</u>
<b>Equity</b>					
<i>Equity attributable to owners of the Company</i>					
Share capital	880,085	—	—	—	880,085
Capital reserves	952,780	—	—	—	952,780
Special reserves	17,472	—	—	—	17,472
Surplus reserves	151,980	—	—	—	151,980
Revaluation reserve	(19,034)	—	—	—	(19,034)
Retained profits	636,223	(13,206)	—	—	623,017
	<u>2,619,506</u>	<u>(13,206)</u>	<u>—</u>	<u>—</u>	<u>2,606,300</u>
Non-controlling interests	456,456	—	—	—	456,456
<b>Total equity</b>	<u>3,075,962</u>	<u>(13,206)</u>	<u>—</u>	<u>—</u>	<u>3,062,756</u>
<b>Total equity and liabilities</b>	<u><u>6,728,344</u></u>	<u><u>(28,715)</u></u>	<u><u>54,001</u></u>	<u><u>—</u></u>	<u><u>6,753,630</u></u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### Consolidated income statement

	For the year ended 30 June 2021				
	Unadjusted Financial Information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Notes 1, 2 and 3)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 4)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 5)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
Revenue	2,046,594	—	—	—	2,046,594
Cost of sales	(1,707,979)	—	—	—	(1,707,979)
Gross profit	338,615	—	—	—	338,615
Tax and surcharges	(5,062)	—	—	5,062	—
Other income	1,264	—	—	491	1,755
Other gains, net	—	—	—	3,943	3,943
Selling and distribution costs	(113,898)	(859)	—	—	(114,757)
Administrative expenses	(86,518)	—	(1,908)	(9,529)	(97,955)
Research and development expenses	(13,803)	—	—	—	(13,803)
Impairment losses	—	(2,632)	—	38	(2,594)
Loss on credit impairment	(2,632)	2,632	—	—	—
Loss on asset impairment	38	—	—	(38)	—
Financial expenses	(70,939)	—	70,939	—	—
Gain on disposal of fixed assets	3,943	—	—	(3,943)	—
Share of results of investments accounted for using the equity method, net	—	—	231,037	—	231,037
Operating profit	51,008	(859)	300,068	(3,976)	346,241
Finance income	—	—	12,183	—	12,183
Finance costs	—	(2,227)	(81,214)	—	(83,441)
Investment income	231,037	—	(231,037)	—	—
Non-operating income	491	—	—	(491)	—
Non-operating expenses	(4,467)	—	—	4,467	—
Profit before taxation	278,069	(3,086)	—	—	274,983
Taxation	(83,853)	—	—	—	(83,853)
Profit for the year	<u>194,216</u>	<u>(3,086)</u>	<u>—</u>	<u>—</u>	<u>191,130</u>
Profit attributable to:					
Owners of the Company	176,750	(3,086)	—	—	173,664
Non-controlling interests	17,466	—	—	—	17,466
	<u>194,216</u>	<u>(3,086)</u>	<u>—</u>	<u>—</u>	<u>191,130</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### Notes

#### 1. Matters related to the application of HKFRS 15 “Revenue from Contracts with Customers”

Pursuant to the Target Group Historical Financial Information for the Relevant Periods, the Target Group adopted Accounting Standards for Business Enterprises No.14 — Revenue (“CAS 14”) for the first time on 1 January 2020. Under the Group’s accounting policies, the Group adopted HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) for the first time on 1 January 2018. Accordingly, this adjustment presents the financial impacts on the Target Group Historical Financial Information from the adoption of HKFRS 15 for the years ended 31 December 2018 and 2019, which primarily concerning:

- i. the reclassification of trade receivables to contract assets for which the Target Group’s right to consideration in exchange for goods or services with customers were not yet unconditionally; and
- ii. the reclassification of advance receipts to contract liabilities which represented the Target Group’s obligation to transfer goods or services for which the Target Group received consideration (or an amount of consideration was due) from customers.

In addition, in the view of the Directors, except for certain presentation differences, the adoption of CAS 14 do not result in material differences to the Target Group’s financial positions as at 31 December 2020 and 30 June 2021 and financial performance for the year ended 31 December 2020 and six months ended 30 June 2021, compared to the Company’s accounting policies which applied HKFRS 15 instead.

Had Target Company adopted the Company’s HKFRS accounting policies, the impact of the adjustments on the Target Group’s consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

#### Consolidated balance sheets

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./ (Cr.)</i>	<i>Dr./ (Cr.)</i>	<i>Dr./ (Cr.)</i>	<i>Dr./ (Cr.)</i>
Contract assets	29,451	36,676	—	—
Trade receivables	(29,451)	(36,676)	—	—
Advance receipts	490,549	633,005	—	—
Contract liabilities	(490,549)	(633,005)	—	—

**2. Matters related to the application of HKFRS 9 “Financial Instruments”**

Pursuant to the Target Group Historical Financial Information for the Relevant Periods, the Target Group adopted Accounting Standards for Business Enterprises No. 22 — Financial Instruments: Recognition and Measurement (“CAS 22”), Accounting Standards for Business Enterprises No. 23 — Recognition and Measurement of Financial Assets (“CAS 23”), Accounting Standards for Business Enterprises No. 24 — Hedging (“CAS 24”), Accounting Standards for Business Enterprises No. 37 — Financial Instruments: Presentation and Disclosures (“CAS 37”) for the first time on 1 January 2019, Accounting Standards for Business Enterprises No. 7 — Exchange of Non-Monetary Assets (“CAS 7”) for the first time on 10 June 2019 and Accounting Standards for Business Enterprises No. 12 — Debt Restructurings (“CAS 12”) for the first time on 17 June 2019 (collectively referred to as “New CASs on Financial Instruments”). Under the Group’s accounting policies, the Group adopted HKFRS 9 “Financial Instruments” (“HKFRS 15”) for the first time on 1 January 2018. Accordingly, this adjustment presents the financial impacts on the Target Group Historical Financial Information from the adoption of HKFRS 9 for the year ended 31 December 2018, which primarily concerning:

- i. the reclassification of available-for-sale financial assets to financial assets at fair value through other comprehensive income;
- ii. the remeasurement of available-for-sale financial assets which was originally measured at cost to their respective fair values through other comprehensive income upon the reclassification as at 1 January 2018 and 31 December 2018; and
- iii. the remeasurement of impairment loss provision in respect of financial assets at amortised cost as at 1 January 2018 and 31 December 2018, using expected credit losses model as adopted by the Company over the incurred loss model as adopted by the Target Company.

In addition, in the view of the Directors, except for certain presentation differences, the adoption of these New CASs on Financial Instruments do not result in material differences to the Target Group’s financial positions as at 31 December 2019 and 2020 and 30 June 2021 and financial performance for the years ended 31 December 2019 and 2020 and six months ended 30 June 2021, compared to the Company’s accounting policies which applied HKFRS 9 instead.

Had Target Company adopted the Company's HKFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 and consolidated income statements for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 would have been as follows:

#### Consolidated balance sheets

	As at 31 December			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
	Dr./Cr.)	Dr./Cr.)	Dr./Cr.)	Dr./Cr.)
Available-for-sale financial assets	(77,265)	—	—	—
Other equity instrument investments	—	(71,525)	(52,235)	(52,155)
Financial assets at fair value through other comprehensive income	77,265	71,525	52,235	52,155
Contract assets	(53)	—	—	—
Trade receivables	18,349	—	—	—
Other receivables	2,568	—	—	—
Deferred tax assets	(4,036)	—	—	—
Retained profits	(12,585)	—	—	—
Non-controlling interests	(4,243)	—	—	—

#### Consolidated income statements

	For the year ended 31 December			For the
	2018	2019	2020	six months
	RMB'000	RMB'000	RMB'000	ended
	Unaudited	Unaudited	Unaudited	30 June
	Dr./Cr.)	Dr./Cr.)	Dr./Cr.)	2021
Loss on asset impairment	(23,170)	—	—	—
Loss on credit impairment	—	479	(3,362)	(2,632)
Impairment losses	14,200	(479)	3,362	2,632
Taxation	4,036	—	—	—



## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### 3. Matters related to the application of HKFRS 16 “Leases”

Pursuant to the Target Group Historical Financial Information for the Relevant Periods, the Target Group adopted Accounting Standards for Business Enterprises No. 21 — Leases (“CAS 21”) for the first time on 1 January 2021. Under the Group’s accounting policies, the Group adopted HKFRS 16 “Leases” (“HKFRS 16”) for the first time on 1 January 2019. Accordingly, this adjustment presents the financial impacts on the Target Group Historical Financial Information from the adoption of HKFRS 16 for the years ended 31 December 2019 and 2020, which primarily concerning:

- i. the recognition of right-of-use assets and lease liabilities for leases other than short-term leases and leases of low value assets;
- ii. the cease of recognition of rental expenses for leases other than short-term leases and leases of low value assets, on straight line basis;
- iii. the recognition of depreciation of right-of-use assets and interest expenses on lease liabilities; and
- iv. the reclassification of long-term deferred expenses and prepayments paid upfront by the Target Group in respect of leases to lease liabilities.

In addition, in the view of the Directors, except for certain presentation differences, the adoption of CAS 21 do not result in material differences to the Target Group’s financial position as at 30 June 2021 and financial performance for the six months ended 30 June 2021, compared to the Company’s accounting policies which applied HKFRS 16 instead.

Had Target Company adopted the Company’s HKFRS accounting policies, the impact of the adjustments on the Target Group’s consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 and consolidated income statements for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 would have been as follows:

#### Consolidated balance sheets

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
Right-of-use assets	—	113,567	102,592	(7,201)
Long-term deferred expenses	—	(10,600)	(8,280)	(550)
Prepayments	—	(9,133)	(14,225)	(20,964)
Lease liabilities — current	—	(6,878)	(8,675)	(8,608)
Lease liabilities — non-current	—	(91,957)	(81,533)	14,870
Non-current liabilities due within one year	—	—	—	9,247
Retained profits	—	5,001	10,121	13,206

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

### Consolidated income statements

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./((Cr.)</i>	<i>Dr./((Cr.)</i>	<i>Dr./((Cr.)</i>	<i>Dr./((Cr.)</i>
Selling and distribution costs	—	369	725	859
Finance costs	—	4,632	4,395	2,227

#### 4. Matters related to reclassification adjustments of accounts

Under Target Company's CAS accounting policies, several items of Target Group Historical Financial Information have been presented differently in regard to the presentation or classification under the Company's HKFRS accounting policies. The details are as follows:

##### i. Share of results of associates

Under Target Company's CAS accounting policies, Target Group has presented the share of results of associates in "Investment income". According to HKAS 1. 82(c), an entity shall present the amount of share of result of an associate as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

Had Target Company adopted the Company's HKFRS accounting policies, the impact of the adjustments on the Target Group's consolidated income statements for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 would have been as follows:

### Consolidated income statements

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./((Cr.)</i>	<i>Dr./((Cr.)</i>	<i>Dr./((Cr.)</i>	<i>Dr./((Cr.)</i>
Investment income	62,780	56,508	28,219	231,037
Share of results of associates	(62,780)	(56,508)	(28,219)	(231,037)

**ii. Finance costs, other finance charges and interest income**

Under Target Company's CAS accounting policies, Target Group has presented bank charges, net exchange gain/(loss) and interest income in "Financial expenses". According to HKFRS 7.20, an entity shall present the amount of interest income from financial assets that are measured at amortised cost or measured at fair value through other comprehensive income in the income statement or in the notes separately. In addition, bank charges and net exchange gain/(loss) did not fall into the scope of the definition of finance costs and shall be presented as an expense other than "Finance costs".

Had Target Company adopted the Company's HKFRS accounting policies, the impact of the adjustments on the Target Group's consolidated income statements for the three years ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 would have been as follows:

**Consolidated income statements**

	For the years ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
Finance income	(19,486)	(25,737)	(23,443)	(12,183)
Administrative expenses	4,478	3,299	3,348	1,908
Finance costs	114,342	100,625	107,246	81,214
Financial expenses	(99,334)	(78,187)	(87,151)	(70,939)

**iii. Monetary funds**

Under Target Company's CAS accounting policies, Target Group has presented pledged deposits and time deposits with maturity over three months within "Monetary funds". According to HKAS 1.54, an entity shall present additional line items in the consolidated balance sheet when such presentation is relevant to an understanding of an entity's financial position. Since pledged bank deposits and time deposits with maturity over three months did not fall in the scope of the definition of an item of cash and cash equivalent in accordance with HKAS 7.7, an entity shall present pledged deposits, time deposits with maturity over three months and cash and cash equivalents separately in the consolidated balance sheets.

Had Target Company adopted the Company's HKFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

**Consolidated balance sheets**

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./Cr.)</i>	<i>Dr./Cr.)</i>	<i>Dr./Cr.)</i>	<i>Dr./Cr.)</i>
Monetary funds	(1,019,938)	(740,019)	(895,147)	(675,464)
Pledged deposits	279,000	170,180	200,335	265,063
Time deposits with maturity over three months	189,000	20,550	139,550	139,674
Cash and cash equivalents	551,938	549,289	555,262	270,727

**iv. Land use rights, computer software and leasehold improvement**

Under the Target Company's CAS accounting policies, Target Group has presented land use rights and computer software in "Intangible assets" and leasehold improvement in "Long-term deferred expenses", respectively. According to HKAS 36.6, tangible assets that are held for use in the production or supply of goods or services and are expected to be used during more than one period shall be presented as "Fixed assets". Therefore, land use rights (prior to the Group's adoption of HKFRS 16 for the first time on 1 January 2019) and leasehold improvement shall be reclassified from "Intangible assets" to "Fixed assets". From 1 January 2019 onwards, such land use rights shall be reclassified from "Intangible assets" to "Right-of-use assets". According to HKAS 38.4, an entity shall recognise computer software as "Fixed assets" if it is an integral part of the related hardware.

Had Target Company adopted the Company's HKFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

**Consolidated balance sheets**

	As at 31 December			As at
	2018	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./Cr.)</i>	<i>Dr./Cr.)</i>	<i>Dr./Cr.)</i>	<i>Dr./Cr.)</i>
Intangible assets	(120,593)	(113,470)	(113,308)	(114,871)
Long-term deferred expenses	(5,628)	(5,302)	(5,931)	(4,566)
Fixed assets	126,221	8,069	8,591	7,325
Right-of-use assets	—	110,703	110,648	112,112

**v. Obligations under finance leases (prior to 1 January 2021)**

Under the Target Company’s CAS accounting policies, prior to 1 January 2021, Target Group has presented leased assets in “Fixed assets”, current and non-current portion of obligations under finance lease in “Non-current liabilities due within one year” and Long-term payables”, respectively. According to HKAS 17.20, an entity as a lessee shall recognise obligations under finance lease as liabilities separately in the consolidated balance sheet and the corresponding leased assets in “Fixed assets”. According to HKFRS 16.22 and 16.26 (after adoption of HKFRS 16), an entity as a lessee shall presented leased assets in “Right-of-use assets” and the corresponding liability in respect of that lease as “Lease liabilities”.

Had Target Company adopted the Company’s HKFRS accounting policies, the impact of the adjustments on the Target Group’s consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

**Consolidated balance sheets**

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>
Fixed assets	—	(74,584)	(71,604)	(70,147)
Right-of-use assets	—	74,584	71,604	70,147
Non-current liabilities due within one year	26,667	26,667	26,667	13,333
Long-term payables	53,333	26,667	—	—
Obligations under finance lease — current	(26,667)	—	—	—
Obligations under finance lease — non-current	(53,333)	—	—	—
Lease liabilities — current	—	(26,667)	(26,667)	(13,333)
Lease liabilities — non-current	—	(26,667)	—	—

**vi. Income tax payables**

Under Target Company’s CAS accounting policies, Target Group has presented current tax recoverable/payable and other domestic tax recoverable/payable or levies in “Other current assets”, “Taxes payables” and “Other current liabilities. According to HKAS 12.5, current tax is the amount of income tax recoverable/payable in respect of the taxable profit for a period. According to HKAS 1.54, an entity shall present assets/liabilities for current tax as defined in HKAS 12 “Income Taxes” in the consolidated balance sheet. Since other domestic tax recoverable/payable or levies are not arisen from the taxable profit, such assets/liabilities shall be presented in “Other receivables” and “Other payables” respectively under the Company’s HKFRS accounting policies and presentation.

Had Target Company adopted the Company's HKFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

**Consolidated balance sheets**

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
Current tax recoverable	2,453	5,170	9,198	6,638
Other current assets	(56,345)	(50,914)	(49,429)	(40,511)
Other receivables	53,892	45,744	40,231	33,873
Taxes payables	54,366	29,866	25,204	21,151
Current tax payable	(34,596)	(17,307)	(12,271)	(13,697)
Other payables	(19,770)	(12,559)	(12,933)	(7,454)

**vii. Non-current borrowings due within one year**

Under Target Company's CAS accounting policies, Target Group has presented current portion of non-current borrowings in "Non-current liabilities due within one year". According to HKAS 1.54, an entity shall present additional line items in the consolidated balance sheet when such presentation is relevant to an understanding of the entity's financial position.

Had Target Company adopted the Company's HKFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

**Consolidated balance sheets**

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
Non-current liabilities due within one year	34,600	140,660	79,910	111,920
Short-term borrowings and borrowings due within one year	(34,600)	(140,660)	(79,910)	(111,920)

**viii. Amounts due from/(to) associates, related parties and non-controlling shareholders**

Under Target Company’s CAS accounting policies, Target Group has presented amounts due from/to associates, related parties and non-controlling shareholders (including loan advances) in “Other receivables”, “Other payables” and “Long-term payables”. According to HKAS 24.18(b), an entity shall disclose outstanding balances regarding related party transactions. According to HKAS 1.54, an entity shall present additional line items in the consolidated balance sheet when such presentation is relevant to an understanding of the entity’s financial position.

Had Target Company adopted the Company’s HKFRS accounting policies, the impact of the adjustments on the Target Group’s consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

**Consolidated balance sheets**

	As at 31 December		As at 30 June	
	2018	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
Other receivables	(13,569)	(11,876)	(13,565)	(12,416)
Loans to associates	13,569	11,876	13,138	11,989
Amount due from a related party	—	—	57,000	54,000
Amount due from a non-controlling shareholder	—	—	427	427
Other payables	1,152	2,653	703	671
Amounts due to associates	(678)	(671)	(671)	(671)
Long-term payables	60,000	60,000	60,000	60,000
Amounts due to related parties				
— current	(474)	(1,982)	(6,032)	(6,000)
Amounts due to related parties				
— non-current	(60,000)	(60,000)	(111,000)	(108,000)

**ix. Other material balances of receivables and payables**

Under Target Company’s CAS accounting policies, Target Group has presented certain material balances of receivables and payables in “Other non-current assets”, “Other receivables”, “Other current assets”, “Other payables”, “Other current liabilities”, “Long-term payables” and “Non-current liabilities due within one year”. According to HKAS 1.15, financial statements shall be presented in a true and fair view which requires the faithful representation of the effects of transactions, events and conditions in accordance with the definitions and recognition criteria of assets, liabilities, income and expenses. According to HKAS 1.54, an entity shall present additional line items in the consolidated balance sheet when such presentation is relevant to an understanding of the entity’s financial position.

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Had Target Company adopted the Company's HKFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2018, 2019 and 2020 and 30 June 2021 would have been as follows:

### Consolidated balance sheets

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
Other non-current assets	(47,439)	(50,974)	(38,860)	(26,357)
Other receivables	(84,228)	(75,522)	(83,604)	(75,901)
Consideration receivables	131,667	126,496	122,463	102,259
Other payables	55,860	61,603	(33,982)	(25,124)
Other current liabilities	—	—	50,963	42,103
Long-term payables	330,350	261,900	88,450	88,450
Non-current liabilities due within one year	88,450	73,450	133,250	118,250
Consideration payables — current	(144,310)	(135,053)	(150,230)	(135,230)
Consideration payables — non-current	(330,350)	(261,900)	(88,450)	(88,450)

### 5. Matters related to presentation adjustments

These adjustments for each of the Relevant Periods are presentation adjustments to bring in line the Target Group Historical Financial Information with the Company's financial statements presentation as if they are prepared under the Company's Policies.



The following management discussion and analysis of the results of the Target Company is extracted from the annual reports of the Target Company for the years ended 31 December 2018, 2019 and 2020 and the interim report of the Target Company for the six months ended 30 June 2021. These information are originally published in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The Directors wish to emphasize that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

**A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY FOR THE YEAR ENDED 31 DECEMBER 2018****Section IV - Management Discussion and Analysis****I. Overview**

In 2018, despite the complicated economic environment and the tightening of financial policy in China, the Company achieved good operating results by closely following the national industrial policy and seizing favourable opportunities such as environmental protection governance, transformation from old energies to new ones, transformation from coal to gas and other opportunities emerging from the growth of the clean energy market.

In 2018, the Company achieved operating income of RMB4,676 million and net profit attributable to the parent company of RMB103 million, representing a 64.57% year-on-year increase in net profit.

1. During the reporting period, the Company's principal activities - natural gas business continued to optimize its business structure, steadily improving the quality and efficiency of its natural gas assets and maintaining its rapid growth momentum, achieving an annual operating income of RMB3,369 million, representing an increase of 31.18% over the corresponding period of the previous year. In the face of the unfavorable business environment, the management team rose to the challenge, took aggressive approach, and strived for development. First, the Company dug deeper into urban customers, to promote "Village Access" and "Town Access", and to actively develop industrial and commercial customers to seize the market, so the natural gas customer base saw a positive growth. Second, the Company further liberated its mind, embraced the industry and new business with an open mind, always partnered with the industry, upstream players and experts, always saw the direction of its own development, and kept working hard and progressing fast. The Company has entered into comprehensive and deep strategic cooperation with professional organizations such as Xinao Energy\* ("新奥能源") and Gas Alliance\* ("燃氣聯盟") in the fields of comprehensive utilization of gas in urban areas, gas facility construction and design, distributed energy, PE pipe materials and more to achieve the sharing and synergy of resources. Third, with the "Natural Gas +" strategy and the huge potential market for value-added natural gas services, the Company actively explored the development of value-added natural gas and innovative businesses, extending the industrial chain in areas such as gas appliance sales, insurance agency and e-commerce cooperation to increase the company's profitability. Fourth, as a clean energy supply platform, the Company paid close attention to the development of the new energy industry while focusing on its natural gas business.

2. The Company's pipeline manufacturing business followed closely the strategic layout of the natural gas industry, realized low-cost expansion of production capacity in the shortest possible time, completds the strategic layout in three locations across the region, actively participated in the revision and formulation of national standards, and increased investment in research and development to closely seize future development opportunities in the gas and water services fields.

3. The company always took "Respect for Life and Safe Production" as the bottom line of development. Since the beginning of the reporting period, safety work has been upgraded and managed. Through measures such as employee oath, further improvement of safety management system, promotion of dual system development, strengthened inspection and supervision, improved project quality, and strict operation regulations, the company had built up a safe and efficient safety management system.

4. The Company continued to accelerate management innovation and attached great importance to team building. During the reporting period, the Company took the synergy and sharing among member enterprises as the starting point, and continuously improved its management efficiency through measures such as pooled procurement of gas meters, promotion of management innovation, operational and technical innovation, and technological competitions.

The talent team is the most valued resource of the company. During the reporting period, through the promotion of Youth Growth Program, Reserve Talent Eagle Program, Employee Care Program, Team Building Program and other measures, the Company managed to create the atmosphere of “Shengli is My Home, Development Depends on Everyone”, “Happy Shengli” and “Hard-Working Shengli”, leading to a spirit of unity and commitment.

## II. Principal Activities Analysis

### 1. Overview

Is it the same as the summary disclosed in the Management Discussion and Analysis section

Yes  No

See “I. Overview” in the “Discussion and Analysis of Operations”.

### 2. Income and Costs

#### (1) Operating Income Components

Unit: Yuan

Item	2018		2017		YoY increase/decrease (%)
	Amount	Percentage of operating income (%)	Amount	Percentage of operating income (%)	
Total operating income	4,675,800,100.30	100	3,827,958,840.94	100	22.15
<b>By Sector</b>					
Natural gas	3,369,113,221.20	72.05	2,568,271,344.09	54.90	31.18
Pipe manufacturing	847,627,797.82	18.13	1,072,542,335.35	28.02	-20.97
Trading	451,115,304.34	9.65	164,404,184.37	4.29	174.39
Other	7,943,776.94	0.17	22,740,977.13	0.49	-65.07
<b>By product</b>					
Natural Gas Segment	3,369,113,221.20	72.05	2,568,271,344.09	54.90	31.18
Pipeline Manufacturing Segment	847,627,797.82	18.13	1,072,542,335.35	28.02	-20.97
Trading segment	451,115,304.34	9.65	164,404,184.37	4.29	174.39
Other	7,943,776.94	0.17	22,740,977.13	0.49	-65.07

By region					
Jinan	1,129,419,036.45	24.15	1,135,535,159.19	29.66	-0.54
Dongying	489,375,597.09	10.47	613,799,733.01	16.03	-20.27
Qingdao	712,912,298.36	15.25	590,060,259.56	15.41	20.82
Liaocheng	223,030,545.55	4.77	183,684,679.97	4.8	21.42
Zibo	389,923,237.15	8.34	316,549,356.90	8.27	23.18
Other regions in Shandong	137,116,301.09	2.93	67,385,837.56	1.76	103.48
Shaanxi	74,627,829.67	1.60	77,087,392.29	2.01	-3.19
Liaoning	22,277,095.93	0.48	23,230,733.14	0.61	-4.11
Hebei	791,891,565.71	16.94	480,050,514.33	12.54	64.96
Guangxi	27,162,482.06	0.58	16,844,641.05	0.44	61.25
Henan	254,348,272.29	5.44	291,990,660.58	7.63	-12.89
Zhejiang	151,133,250.15	3.23	26,310,691.02	0.69	474.42
Jiangxi	38,983,386.58	0.83	5,429,182.34	0.14	618.03
Chongqing	233,599,202.22	5.00			

(2) Businesses, products or regions accounting for more than 10% of the Company's operating income or operating profit

Applicable  Not applicable

Whether the Company is required to comply with any special industry disclosure requirements

Yes  No

Unit: Yuan

Item	Operating Income	Operating Costs	Gross margin (%)	Up or down in operating revenue over the same period of the previous year (%)	Up or down in operating costs over the same period last year (%)	Up or down in gross margin compared to the same period of the previous year
By segment						
Natural Gas Segment	3,369,113,221.20	2,795,120,958.15	17.04	31.18	27.72	Up by 2.23%
Pipeline Manufacturing Segment	847,627,797.82	700,337,297.55	17.38	-20.97	-20.97	Same as the previous year
Trading segment	451,115,304.34	438,444,749.42	2.81	174.39	159.85	Up by 5.44%
Other	7,943,776.94	2,840,393.11	64.24	-65.07	-83.81	Up by 41.40%

By product						
Natural Gas Segment	3,369,113,221.20	2,795,120,958.15	17.04	31.18	27.72	Up by 2.23%
Pipeline Manufacturing Segment	847,627,797.82	700,337,297.55	17.38	-20.97	-20.97	Same as the previous year
Trading segment	451,115,304.34	438,444,749.42	2.81	174.39	159.85	Up by 5.44%
Other	7,943,776.94	2,840,393.11	64.24	-65.07	-83.81	Up by 41.40%
By region						
Jinan	1,129,419,036.45	1,071,963,639.29	5.09	-0.54	-1.32	Up by 0.75%
Dongying	489,375,597.09	385,080,707.96	21.31	-20.27	-17.52	Down by 2.62%
Qingdao	712,912,298.36	657,374,372.01	7.79	20.82	17.62	Up by 2.51%
Liaocheng	223,030,545.55	167,960,779.97	24.69	21.42	21.14	Up by 0.17%
Zibo	389,923,237.15	343,465,682.90	11.91	23.18	21.21	Up by 1.43%
Other regions in Shandong	137,116,301.09	125,557,444.35	8.43	105.17	86.62	Up by 7.56%
Shaanxi	74,627,829.67	60,325,523.45	19.16	-3.19	-0.88	Down by 1.89%
Liaoning	22,277,095.93	15,001,315.46	32.66	-4.11	-5.57	Up by 1.04%
Hebei	791,891,565.71	626,923,549.72	20.83	64.96	86.91	Down by 9.30%
Guangxi	27,162,482.06	17,753,727.26	34.64	61.25	67.51	Down by 2.44%
Henan	254,348,272.29	196,382,690.94	22.79	-12.59	-8.86	Down by 3.01%
Zhejiang	151,133,250.15	111,349,498.92	26.32	474.42	632.79	Down by 15.93%
Jiangxi	38,983,386.58	25,166,851.33	35.44	618.03	398.75	Up by 28.38%
Chongqing	233,599,202.22	132,437,614.67	43.31			

In the event that the Company's statistics of principal activities are adjusted for the reporting period, the Company's adjusted statistics of principal activities for the most recent (1) year

Applicable  Not applicable

(3) Whether the Company's revenue from sales of goods is greater than its revenue from rendering of labour services

Yes  No

Unit: Yuan

By Sector	2018	2017	YoY increase/decrease (%)
Natural Gas Segment	3,369,113,221.20	2,568,271,344.09	31.18
Pipeline Manufacturing Segment	847,627,797.82	1,072,542,335.35	-20.97
Trading segment	451,115,304.34	164,404,184.37	174.39
Other	7,943,776.94	22,740,977.13	-65.07

Reasons for changes of more than 30% YoY in the relevant stats

Applicable  Not applicable

(i) The increase in operating income from the natural gas business as compared to the corresponding period of previous year was mainly due to the significant growth in revenue as a result of the Company's focused efforts in developing its natural gas business.

(ii) The increase in operating income from the trading business as compared to the corresponding period of last year was mainly due to the increase in trading volume of oil products in the current period as compared to the corresponding period of the previous year.

(iii) The decrease in other operating income as compared to the corresponding period of the previous year was mainly due to the transfer of the Company's equity interest in Shandong Shengbang Lvye Chemistry Co., Ltd., whose sales revenue was no longer included in the Company's consolidated financial statements.

(4) Fulfillment of material sales contracts entered into by the Company up to the period under review

Applicable  Not applicable

(5) Operating cost components

(i) By Sector

Unit: Yuan

By Sector	2018		2017		YoY increase/ decrease (%)
	Amount	Percentage of operating costs (%)	Amount	Percentage of operating costs (%)	
Natural Gas Segment	2,795,120,958.15	71.00	2,188,424,418.88	67.11	27.72
Pipeline Manufacturing Segment	700,337,297.55	17.79	886,157,693.60	27.18	-20.97
Trading segment	438,444,749.42	11.14	168,730,952.65	5.17	159.85
Other	2,840,393.11	0.07	17,546,494.39	0.54	-83.81

## (ii) By Product

Unit: Yuan

By Product	2018		2017		YoY increase/ decrease (%)
	Amount	Percentage of operating costs (%)	Amount	Percentage of operating costs Percentage (%)	
Natural Gas Segment	2,795,120,958.15	71.00	2,188,424,418.88	67.11	27.72
Pipeline Manufacturing Segment	700,337,297.55	17.79	886,157,693.60	27.18	-20.97
Trading segment	438,444,749.42	11.14	168,730,952.65	5.17	159.85
Other	2,840,393.11	0.07	17,546,494.39	0.54	-83.81

## ►Explanation

There are no other explanation.

(6) Whether there was a change in the scope of consolidation during the reporting period

Yes  No

For details of the changes in the scope of consolidation during the reporting period, please refer to "Section V. VIII. Changes in the scope of consolidation as compared to the financial statements of the previous year" in this report.

(7) Significant changes or adjustments in the Company's business, products or services during the reporting period

Applicable  Not applicable

(8) Major Customers and Major Suppliers

(i) Major Customers

<b>Total sales to top five customers (RMB Yuan)</b>	562,112,247.52
<b>Aggregate sales to top five customers as a percentage of total annual sales (%)</b>	10.65
<b>Percentage of sales to connected parties in the sales to top five customers as a percentage of total annual sales (%)</b>	0.00

## Information on top 5 customers

SN	Customer Name	Sales (RMB Yuan)	Percentage of total annual sales (%)
1	Bazhou Municipal People's Government	153,702,900.00	2.91
2	Linyi Yude Energy Co., Ltd.	145,007,095.60	2.75
3	Huaheng Energy Co., Ltd.	89,288,223.35	1.69
4	Shandong Hengfu Lvzhou New Energy Co., Ltd.	88,050,209.73	1.67
5	Jinzhou Tuohai New Energy Co., Ltd.	86,063,818.84	1.63
<b>Total</b>	-	<b>562,112,247.52</b>	<b>10.65</b>

▶ Other explanations in relation to major customers

√ Applicable □ Not applicable

The Company does not have any connected relationship with its top five customers as stipulated in the Rules Governing the Listing of Stocks.

## ② Major suppliers

<b>Total purchase from top 5 suppliers (RMB Yuan)</b>	1,304,589,694.10
<b>Aggregate purchase from top five suppliers as a percentage of total annual purchase (%)</b>	29.64
<b>Purchase from connected parties in top five suppliers as a percentage of total annual purchase (%)</b>	0.00

## Information on top 5 suppliers

SN	Supplier Name	Purchase (RMB Yuan)	Percentage of total annual purchase (%)
1	PetroChina Compay Limited Hebei Natural Gas Sales Branch	473,648,938.34	10.76
2	Panjin Ruidong Petrochemical Trading Company	271,592,135.35	6.17
3	Xinao Energy Trade Co., Ltd.	266,328,220.50	6.05
4	North China Sales Office, Natural Gas Group, PetroChina Compay Limited	148,136,073.30	3.37
5	Dongying Daoyuan Petrochemical Co., Ltd.	144,884,326.61	3.29
<b>Total</b>	-	<b>1,304,589,694.10</b>	<b>29.64</b>



► Other explanations in relation to major suppliers

√ Applicable □ Not applicable

The Company does not have any connected relationship with its top five suppliers as stipulated in the Rules Governing the Listing of Stocks.

### 3. Expenses

Unit: Yuan

Item	2018	2017	YoY increase/ decrease (%)
Cost of Sales	247,413,830.36	165,914,659.41	49.12
Administrative expenses	132,377,671.12	119,933,452.21	10.38
Financial expenses	99,333,789.37	53,322,059.90	86.29
R&D expenses	17,663,318.65	21,158,581.38	-16.52
Operating Income	4,675,800,100.30	3,827,958,840.94	22.15
Operating Costs	3,936,743,398.23	3,260,859,559.52	20.73
Business tax and surcharges	12,959,558.43	11,855,163.72	9.32
Asset impairment loss	52,546,980.61	74,000,086.08	-28.99
Other income	5,488,470.11	525,000.00	945.42
Investment income	58,888,204.75	236,391,056.50	-75.09
Income from changes in fair value	-6,049,878.60	15,172.60	-39,973.71
Non-operating income	2,217,951.25	32,621,794.88	-93.20
Non-operating expenses	1,207,421.01	229,575,157.15	-99.47
Income tax expenses	54,794,672.35	38,252,032.56	43.25
Total profit	236,684,885.68	160,955,229.12	47.05
Net profit attributable to the shareholders of the listed company	102,530,653.04	62,302,459.69	64.57
Net profit attributable to the shareholders of the listed company after deducting the non-recurring profits and losses	100,856,917.48	49,213,394.71	104.94

#### Description of material changes

(1) The increase in cost of sales as compared to the corresponding period of the previous year was mainly due to the increase in revenue from the Company's natural gas business and the corresponding increase in labor costs, depreciation expenses and transportation costs.

(2) The increase in administrative expenses as compared to the corresponding period of the previous year was mainly due to the increase in revenue from the natural gas business and the corresponding increase in labour costs during the current period.

(3) The increase in financial expenses as compared to the corresponding period of the previous

year was mainly due to the increase in the scale of the Company's financing.

(4) The increase in operating income as compared to the corresponding period of the previous year was mainly due to the increasing scale of the Company's natural gas business.

(5) The increase in operating costs as compared to the corresponding period of the previous year was mainly due to the increasing scale of the Company's natural gas business, the increase in operating income and the corresponding increase in operating costs.

(6) The decrease in impairment loss on assets as compared to the corresponding period of the previous year was mainly due to the Company's provision for impairment of available-for-sale financial assets in 2017, which was not impaired in the current period.

(7) The increase in other income as compared to the corresponding period of the previous year was mainly due to the increase in government grants received by the Company in the current period.

(8) The decrease in investment income and non-operating expenses as compared to the corresponding period of the previous year was mainly due to the simultaneous increase in investment income and non-operating expenses as a result of the transfer of the Company's equity interest in Shandong Shengbang Lyve Chemistry Co., Ltd. in 2017, which had no relevant effect in the current period.

(9) The decrease in income from changes in fair value as compared to the corresponding period of the previous year was mainly due to the decrease in the fair value of the Company's investment properties in the current period.

(10) The decrease in non-operating income as compared to the corresponding period of the previous year was mainly due to the fact that the results of Dalian Shengyi New Energy Development Co., Ltd., a subsidiary of the Company, did not meet the payment terms in 2017 and the Company did not need to pay the remaining amount for equity transfer to its original shareholder(s) and recognised it in non-operating income, which had no effect in the current period.

(11) The increase in income tax expense as compared to the corresponding period of the previous year was mainly due to the reversal of deferred income tax assets in the current period that were recognised on unrecovered losses in the previous period.

(12) The increase in total profit, net profit, net profit attributable to the shareholders of the listed company and net profit attributable to the shareholders of the listed company after deducting the non-recurring profits and losses as compared to the corresponding period of the previous year was mainly due to the growth in operating results of the Company's natural gas business.

#### 4. Research and development inputs

Applicable  Not applicable

(1) During the reporting period, Shandong Shengbang Plastics Co., Ltd., a controlled subsidiary of the Company, had a total of 11 research and development projects as follows:

(i) Design of in-line pipe marking and sorting device, which was completed during the reporting period.

(ii) Development of technology for the production of PE gas pipes with reinforced peelable layer, which was completed during the reporting period.

(iii) Flame resistant and anti-static PE gas pipe for underground pipe corridor, which was completed during the reporting period.

(iv) Modification of multi-layer co-extrusion die head, which was completed during the reporting period.

(v) Development of inserting apparatus for PE pipes, which was completed during the reporting period.

(vi) Improvements to tractor, which was completed during the reporting period.

(vii) Development of a fast-tracking and locatable PE gas pipe, which was completed during the reporting period.

(viii) Development of glass fibre reinforced polyethylene composite pipes, which was completed during the reporting period.

(ix) Development of a new type of pressure resistant PE composite pipe for gas, which was completed during the reporting period.

(x) Double-layer composite water supply pipe, which was completed during the reporting period.

(xi) Development of flame-retardant polyethylene drainage pipes, which was completed during the reporting period.

#### (2) R&D Inputs

Item	2018	2017	Change (%)
Number of R&D staff (persons)	26	26	0.00
Percentage of R&D staff (%)	13.00	17.56	-4.56
R&D input in Amount (RMB Yuan)	17,663,318.65	21,158,581.38	-16.52
R&D input as a percentage of operating income (%)	0.38	0.55	-0.17
Amount of R&D inputs capitalized (RMB Yuan)	0.00	0.00	0.00
Ratio of capitalised R&D investment to R&D investment (%)	0.00	0.00	0.00

(3) Reasons for the significant change in total R&D investment as a percentage of operating income as compared to the previous year

Applicable  Not applicable

(4) Reasons for the significant change in the capitalisation rate of R&D inputs and its justification

Applicable  Not applicable

## 5. Cash flow

Unit: Yuan

Item	2018	2017	YoY increase/ decrease (%)
Sub-total of cash inflows from operating activities	5,284,398,948.39	4,453,501,323.72	18.66
Sub-total of cash outflows from operating activities	5,000,456,543.12	4,251,342,273.24	17.62
Net cash flows from operating activities	283,942,405.27	202,159,050.48	40.45
Sub-total of cash inflows from investing activities	39,998,218.99	155,885,153.05	-74.34
Sub-total of cash outflows from investing activities	645,723,000.59	677,991,475.22	-4.76
Net cash flows from investing activities	-605,724,781.60	-522,106,322.17	-16.02
Sub-total of cash inflow from financing activities	1,837,600,000.00	1,041,971,892.50	76.36
Sub-total of cash outflow from financing activities	1,493,756,766.43	678,698,484.29	120.09
Net cash flows from financing activities	343,843,233.57	363,273,408.21	-5.35
Net increase in cash and cash equivalents	22,060,857.24	43,328,961.45	-49.09

(1) Description of the main drivers affecting the significant year-on-year change in the relevant stats

Applicable  Not applicable

(i) The increase in net cash flows from operating activities as compared to the corresponding period of the previous year was mainly due to the increase in sales receipts resulting from the significant increase in sales income as a result of the development of the natural gas business.

(ii) The decrease in net cash flows from investing activities as compared to the corresponding period of the previous year was mainly due to the increase in investment in the construction of natural gas pipeline network of the Company's natural gas business and the increase in equity transfer payments made by the Company for the purchase of equity interest in Chongqing Shengbang Gas Co., Ltd.

(iii) The decrease in net cash flows from financing activities as compared to the corresponding period of the previous year was mainly due to the increase in loan repayments, interest payments and dividend distribution by the Company in the current period as compared to the corresponding period of the previous year.

(2) Description of the reasons for the significant difference between the net cash flows from operating activities and the net profit for the year for the reporting period

Applicable  Not applicable

For the year, the total net profit was RMB181,890,200, net profit attributable to shareholders of the parent company was RMB102,530,700 and the net cash flow from operating activities was RMB283,942,400, and the difference between the net cash flow and the net profit was mainly due to: the costs and expenses included items that don't involve payments in cash, respectively provision for impairment of assets of RMB52,547,000, depreciation of fixed assets, amortization of intangible assets and long term amortization of expenses of RMB90,411,200 in total, loss on fair value changes of RMB6,049,900, financial interest expenses of RMB114,341,200 arising from financing activities, investment income of RMB58,888,200 arising from investing activities, increase in deferred income tax assets of RMB25,841,200, increase in inventories of RMB34,568,900, increase in operating receivables of RMB50,800,200 and increase in operating payables of RMB11,272,100.

### III. Non-Principal Activities Analysis

Applicable  Not applicable

Unit: Yuan

Item	Amount	Percentage of total profit (%)	Description of Causes	Sustainable or not
Investment income	58,888,204.75	24.88	Income from long-term equity investment accounted for under the equity method	No
Loss/gain on changes in fair value	-6,049,878.60	-2.57	Changes in the fair value of investment properties.	No
Assets impairment	52,546,980.61	22.20	Provisions are made in accordance with accounting standards.	No
Non-operating income	2,217,951.25	0.94	They are mainly a government grant recognised for the period.	No
Non-operating expenses	1,207,421.01	0.51	They are mainly expenses, such as donations and fines.	No

### IV. Assets and liabilities

#### 1. Significant changes in asset components

Unit: Yuan

Item	End of 2018		End of 2017		Change in Percentage (%)
	Amount	Percentage of total assets (%)	Amount	Percentage of total assets (%)	
Monetary Funds	1,019,938,236.45	15.87	603,377,379.21	11.96	3.91
Notes and accounts receivable	361,125,145.24	5.62	340,865,198.29	6.76	-1.14
Inventories	447,246,067.79	6.96	412,677,139.85	8.18	-1.22
Investment properties	82,387,794.00	1.28	88,437,672.60	1.75	-0.47
Long-term equity investments	778,173,556.00	12.11	741,444,429.24	14.70	-2.59
Fixed assets	1,465,879,046.08	22.81	1,056,992,198.29	20.95	1.86
Construction in progress (CIP)	197,664,532.50	3.08	162,237,337.13	3.22	-0.14
Short-term borrowings	1,090,760,000.00	16.97	610,450,000.00	12.10	4.87

Long-term borrowings	164,500,000.00	2.56	299,700,000.00	5.94	-3.38
Prepayments	147,300,534.70	2.29	108,431,196.61	2.15	0.14
Other receivables	183,521,108.23	2.86	220,305,227.02	4.37	-1.51
Intangible assets	123,586,774.46	1.92	107,308,910.89	2.13	-0.21
Goodwill	1,229,406,768.03	19.13	768,028,461.91	15.22	3.91
Deferred tax assets	193,743,958.20	3.01	167,902,712.80	3.33	-0.32
Other non-current assets	47,438,503.58	0.74	119,080,314.27	2.36	-1.62
Notes payable and accounts payable	1,017,975,578.49	15.84	533,606,121.87	10.58	5.26
Advance receipts	544,091,655.00	8.47	403,142,090.32	7.99	0.48
Employee benefits payable	35,814,845.84	0.56	23,664,433.23	0.47	0.09
Taxes payable	54,366,449.56	0.85	35,702,275.68	0.71	0.14
Other payables	157,531,995.54	2.45	80,615,071.65	1.60	0.85
Non-current liabilities due within one year	149,716,666.67	2.33	329,125,000.00	6.52	-4.19
Long-term payables	443,683,333.33	6.90		-	6.90
Deferred tax liabilities	19,255,786.65	0.30	21,140,312.43	0.42	-0.12

#### Description of material changes

(1) The increase in monetary funds as compared to the beginning of the period was mainly due to the increase in banker's acceptance bill security deposit and certificate of deposit.

(2) The increase in the closing balance of notes and accounts receivable as compared to the opening balance of the period was mainly due to the increase in receivables from the sale of PE pipes in the Company's pipeline manufacturing business and the increase in receivables from gas accounts of the natural gas business.

(3) The increase in fixed assets as compared with the beginning of the period was mainly due to the increase in fixed assets of the Company's natural gas pipeline company and the acquisition of Weihai Shengli Huachang Gas Co., Ltd. and Chongqing Shengbang Gas Co., Ltd. during the period.

(4) The increase in construction in progress as compared to the beginning of the period was mainly due to the increase in the construction of gas pipelines by the natural gas business during the period.

(5) The increase in short-term borrowings as compared to the beginning of the period was mainly due to the increase in the scale of the Company's loans during the period.

(6) The decrease in long-term borrowings as compared to the beginning of the period was mainly due to the repayment of the loans upon maturity by the Company during the period.

(7) The increase in prepayments as compared to the beginning of the period was mainly due to the increase in prepaid purchases by the natural gas business.

(8) The decrease in other receivables as compared to the beginning of the period was mainly due to the recovery of financial support of RMB20 million from Shandong Shengbang Lvye Chemistry Co., Ltd., an ex-subsiary of the Company according to the agreement and the increase in provision for bad debts based on the ageing of the accounts as compared to the same period of the previous year.

(9) The increase in intangible assets as compared to the beginning of the period was mainly due to the acquisition of land use rights during the period.

(10) The increase in goodwill as compared to the beginning of the period was mainly due to the Company's acquisition of Chongqing Shengbang Gas Co., Ltd. and Weihai Shengli Huachang Gas Co., Ltd. at a premium during the period.

(11) The increase in deferred income tax assets compared to the beginning of the period is due to the increase in this item recognised by the Company that will be reversed based on the increase in future unrecovered losses.

(12) The decrease in other non-current assets as compared to the beginning of the period was mainly due to the decrease in the prepayment made in the previous period for a portion of the acquisition of the equity interest in Chongqing Shengbang Gas Co., Ltd. and Weihai Shengli Huachang Gas Co., Ltd. As of the end of the reporting period, the equity transfer procedures of the above-mentioned companies have been completed.

(13) The increase in notes and accounts payable as compared to the beginning of the period was mainly due to the increased use of notes payable to settle the purchase of raw materials for the natural gas and pipeline manufacturing businesses during the period.

(14) The increase in prepayments received as compared to the beginning of the period was mainly due to the prepayments received as natural gas account opening fees and natural gas fees during the period.

(16) The increase in other payables as compared to the beginning of the period was mainly due to the increase in dividend payable to minority shareholders and the transfer of equity interest payable by the Company to this account during the period.

(17) The decrease in non-current liabilities due within one year as compared to the beginning of the period was mainly due to the maturity of long-term loans due within one year.

(18) The increase in long-term payables as compared to the beginning of the period was mainly due to the increase in the amount of equity transfer payable by the Company for the acquisition of Chongqing Shengbang Gas Co., Ltd.

## 2. Assets and liabilities measured at fair value

Applicable  Not applicable

Unit: Yuan

Item	Opening figure	Loss/gain on changes in fair value for the period	Cumulative fair value changes recognised in equity	Impairment charged in the period	Purchase for the period	Disposal for the period	Closing figure
<b>Financial Assets</b>							
1. financial assets at fair value through profit or loss (excluding derivative financial assets)	--	--	--	--	--	--	--
2. Derivative financial assets	--	--	--	--	--	--	--
3. Available-for-sale financial assets	77,265,266.99	--	--	--	--	--	77,265,266.99
Subtotal of financial assets	77,265,266.99	--	--	--	--	--	77,265,266.99
Investment properties	88,437,672.60	-6,049,878.60	--	--	--	--	82,387,794.00
Productive biological assets	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--
Total of the above	165,702,939.59	-6,049,878.60	--	--	--	--	159,653,060.99
Financial liabilities	0.00	--	--	--	--	--	0.00

For items measured at fair value, their classification, measurement method, impairment provision and accounting among others are clearly stipulated in the Company's internal control systems, such as the Financial Management System, Accounting System and Property Stock Taking Regulations. The leasehold properties on Haikou Road, Qingdao as listed above, a part of the Company, are measured at fair value in accordance with the Company's accounting policy, of which the fair value was determined with due consideration to the quoted price in the active local real estate trading market and with reference to the appraised price by the real estate appraisal agency.

The Company estimates whether the impact of the above fair value changes on the Company's profit is sustainable or not based on a combination of internal and external factors, but there are a certain risk of uncertainty in real estate market prices due to the national regulation.

► Whether there were significant changes in the measurement nature of major assets of the Company during the reporting period

Yes  No

## 3. Restricted rights to assets as at the end of the reporting period

For the Company's assets with restricted ownership rights or right to use as of the end of the reporting period, please refer to "V. Notes to the key items of the consolidated financial statements - (48) Assets with restricted ownership rights or right to use" under the Notes to the Financial Statements" section of this report.



**V. Investments**

## 1. General

Applicable  Not applicable

This Period (RMB)	Previous Year (RMB)	Range of change
713,280,300.00	500,348,487.47	42.56%

## 2. Significant equity investments acquired during the reporting period

Applicable  Not applicable

Unit: Yuan

Name of Investee	Principal activities	Manner of Investment	Investment Amount	Shareholding (%)	Source of funds	Partner	Investment Period	Type of Products	Progress as at the balance sheet date	Estimated return	Gain/ loss on investments for the period	Involved in any litigation?	Date of disclosure	Disclosure Index
Chongqing Shengbang Gas Co., Ltd.	Chongqing Shengbang Gas Co., Ltd. operates the natural gas market in Dazu District, Chongqing	Acquisitions	663,800,000.00 Note	100	Self-financing	The bankrupt, Chongqing Huayuan Natural Gas Co., Ltd. Pursuant to the relevant ruling of the Dazu Court, the transaction amount was paid to the bankruptcy administrator of Chongqing Huayuan Natural Gas Co., Ltd. (Chongqing Hezong Law Firm).	Long term	Mainly engaged in the operation of the natural gas market in Dazu District, Chongqing	The business registration formalities in relation to the transaction were completed on 29 January 2018	-	63,516,824.08	No	23 August 2017, 31 August 2017, 9 September 2017, 30 December 2017, 9 January 2018, 22 January 2018, 1 February 2018	China Securities Journal, Securities Times and www.cninfo.com.cn
Total	-	-	663,800,000.00	-	-	-	-	-	-	-	63,516,824.08	-	-	-

Notes: At the Thirty-Fifth Session of the Eighth Board of Directors (Provisional) and the First Extraordinary General Meeting of 2018, the Company considered and passed the “Resolution on the Execution of the Equity Transfer Agreement between the Company and Chongqing Huayuan Natural Gas Co., Ltd. to agree to accept the transfer of 100% equity interest in Chongqing Shengbang Gas Co., Ltd. held by Chongqing Huayuan Natural Gas Co., Ltd., at a total consideration of RMB663.8 million, payable in 5-year instalments, and the administrative registration change procedures of the above equity transfer were completed on 29 January 2018 (please refer to the Company’s Special Announcements No. 2018-001, No. 2018-003 and No. 2018-007 for details).

The above equity acquisition of the Company has been made in accordance with the relevant regulations and has been publicly disclosed.

## 3. Significant non-equity investments in progress during the reporting period

Applicable  Not applicable

## 4. Investment in financial assets

## (1) Securities Investment

Applicable  Not applicable

The Company had no investments in securities during the reporting period.

## (2) Derivatives investment

Applicable  Not applicable

The Company had no derivative investments in the reporting period.

## 5. Use of proceeds

Applicable  Not applicable

The Company has no use of proceeds during the reporting period.

**VI. Material disposal of assets and equity interest**

## 1. Disposal of major assets

Applicable  Not applicable

The Company did not dispose of any major assets during the reporting period.

## 2. Disposal of material equity interests

Applicable  Not applicable

**VII. Analysis of Major Subsidiaries and Investees**

Applicable  Not applicable

## 1. Major subsidiaries and investees contributing more than 10% of net profit to the Company

Unit: Yuan

Company name	Company Type	Principal activities	Registered Capital	Total assets	Net Assets	Operating Income	Operating profit	Net profit
Qingdao Runhao Natural Gas Co., Ltd.	Subsidiary	Transportation of Dangerous Goods (Class 2), Operation of Natural Gas for Vehicles, Natural Gas Technical Information Consulting	86,400,000.00	349,934,816.68	122,208,787.64	276,196,620.23	12,122,698.69	10,627,295.86
Dong'a Dongtai Gas Co., Ltd.	Subsidiary	Natural gas sales and installation of supporting facilities	10,000,000.00	256,361,771.83	110,625,563.44	210,008,493.66	27,360,206.99	22,421,723.31
Dong'a Dongtai Compressed Natural Gas Co. Ltd.	Subsidiary	Sales of compressed natural gas	45,467,600.00	66,092,061.61	60,148,326.58	35,531,839.74	5,550,685.35	4,984,629.39
Shandong Shengbang Plastic Co., Ltd.	Subsidiary	Manufacturing, research and sale of plastic products	100,000,000.00	551,705,870.44	152,572,597.32	566,179,781.53	5,978,477.81	10,211,530.53
Puyang Boyuan Natural Gas Co., Ltd.	Subsidiary	Natural gas, stoves and accessories, heating equipment, sales	24,110,000.00	224,125,911.78	97,440,506.79	187,493,364.86	25,763,903.52	19,386,982.43
Bazhou Shengli Shunda Gas Co., Ltd.	Subsidiary	Natural gas business and pipeline distribution; Business management services; Installation and maintenance of gas-fired appliances; Wholesale and retail of gas appliances, gas transmission equipment and materials; Lease of self-owned equipment, buildings and premises; Natural gas technical consulting services and natural gas technology development and utilization; Sales of building materials and accessories, electrical and mechanical equipment	130,000,000.00	656,636,982.61	241,438,184.55	791,891,565.71	126,663,504.59	94,962,370.50

Zibo Lvchuan Gas Co., Ltd.	Subsidiary	Sales of piped natural gas; Construction of urban gas works, production and sale of kitchenware, sale of household appliances, gas appliances, hardware products, plastic products, pipes, chemical products (excluding dangerous and precursor chemicals), installation and maintenance of gas-fired appliances (excluding special equipment), construction of pipeline networks (excluding pressure pipelines)	45,000,000.00	230,083,711.16	108,529,121.67	386,006,083.19	24,146,643.45	17,649,214.06
Anyang Beifang Shengli Gas Co., Ltd.	Subsidiary	Piped gas operations; Natural gas works construction; Maintenance and servicing of natural gas facilities; Dealing in gas appliances and materials for gas use; Lease of gas pipeline and equipment	39,000,000.00	225,692,130.55	55,728,529.20	67,062,861.98	7,100,498.90	5,250,866.57
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	Subsidiary	Urban development, project investment, industrial investment	50,000,000.00	219,906,544.08	178,170,196.80	123,038.83	10,470,701.65	10,421,839.33
Shandong Lihuasheng Energy Co., Ltd.	Subsidiary	Energy information consulting and new energy technology development, purchase and sales of natural gas equipment, and external investment	100,000,000.00	105,340,756.59	63,209,079.31	2,880,947.52	-4,192,876.90	-4,209,347.20
Shandong Huasheng Energy Co., Ltd.	Subsidiary	Investment, development and utilization of liquefied natural gas projects and installation of related equipment	100,000,000.00	215,114,031.27	39,561,568.57	97,756,450.34	-16,788,120.84	-16,785,544.16
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	Subsidiary	Investment, development and operation in relation to piped gas; Sale of liquefied natural gas, pipelines and accessories. Sales, installation and repair of natural gas equipment, electrical and mechanical equipment, electronic monitoring equipment, heating equipment, gas appliances and parts; Sales and installation of smart home appliances and kitchen and bathroom equipment; Natural Gas Technical Consulting Services	170,000,000.00	135,293,846.05	85,774,272.25	151,133,250.15	28,700,767.12	21,613,368.47
Chongqing Shengbang Gas Co., Ltd.	Subsidiary	Construction of natural gas and gas equipment installation works; Sales and repair of gas appliances; Sales of wall-mounted stoves and gas-fired equipment; Retail of Compressed Natural Gas	663,800,000.00	283,055,987.18	251,419,696.66	232,264,556.97	74,958,607.51	63,516,824.08
Shandong Shengli Bioengineering Co., Ltd.	Investee	Production and sales of premixes (flavomycin fermentation, salinomycin fermentation) and APIs (avermectin), monensin premixes (antibiotic fermentation), and non-sterile APIs (tiamulin fumarate)	200,000,000.00	634,527,852.70	376,343,466.34	432,943,287.49	86,091,355.85	74,075,001.09

## 2. Acquisitions and disposals of subsidiaries during the reporting period

Applicable  Not applicable

Company name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall operations and results
Dalian Yimin New Energy Development. Co., Ltd.	Transfer	A gain of -RMB2.1519 million was generated from the transfer of investment in equity.
Chongqing Shengbang Gas Co., Ltd.	Acquisitions	The company achieved a net profit of RMB63,516,800 for the reporting period.
Weihai Shengli Huachang Gas Co., Ltd.	Acquisitions	The company achieved a net profit of RMB1,885,100 for the reporting period.

## 3. Description of Major Subsidiaries and Investees

There were no matters that need to be stated in respect of the Company's subsidiaries during the reporting period.

**VIII. Structured entities under the control of the company**

Applicable  Not applicable

**IX. Prospects**

## 1. Competitive landscape and development trends in the industry

After the State issued the "13th Five-Year Plan for Energy Development" and the "13th Five-Year Plan for Natural Gas Development" policies, natural gas became one of the main fuels in China in the future. According to data released by the National Development and Reform Commission, the apparent consumption of natural gas in 2018 was 280.3 billion cubic meters, representing a year-on-year increase of 18.12%, making China one of the fastest-growing countries in terms of natural gas demand and the world's largest natural gas importer. With the deepening of China's energy structure transformation, driven by a series of environmental protection policies, such as "Blue Sky War", "Coal to Gas" transformation, the demand for natural gas in China is expected to grow steadily. At the same time, with the impact of upstream direct supply of natural gas, gas distribution price reform, supporting fee reform, upstream price increases, downstream price regulation and other factors, gross margin, which will be compressed gradually, coupled with the impact of the economic situation, will bring challenges to the company's future operations.

## 2. Development Strategy

The Company insists on developing the natural gas industry as its backbone business, with the strategic idea of "capital operation + industry operation", making full use of the capital market and strengthening internal management to promote the development of the Company at its full speed.

### 3. Business Plan

In 2019, the Company will continue to adhere to the development strategy of combining organic growth and external expansion. First, the Company will seek benefits from management and achieve organic growth through twelve key tasks such as pooled procurement, supply and sales gap management, and transformation of old drivers to new ones; Second, the Company will continue to focus on urban operating rights of natural gas and capital market forces to steadily promote the Company's outward expansion; Third, the Company will increase the introduction of high-end talents, strengthen team building, and continue to build an enterprising management team; Fourth, the Company will strengthen the service and support functions of its headquarters and establish a professional and efficient support platform.

### 4. Company Supply and Demand Plan

In 2019, the Company will establish a capital supply and demand plan that matches its development, develop multiple financing channels in addition to its own capital, optimize its financing structure and reduce unit finance costs.

### 5. Possible risks and counter measures

#### (1) Possible risks and difficulties faced

Risks for the natural gas segment mainly lies with the industry policy reform, bringing uncertainty to the earnings of the Company from its main business.

The risk for the pipeline manufacturing segment is mainly due to increased competition in the end market, which affects the Company's gross profit margin in this segment.

#### (2) Counter Measures

First, the Company will forge a sense of market leadership and innovation, increase market development efforts, strengthen internal management, improve quality and efficiency, and hedge against the uncertainty of external policies; Second, the Company will accelerate the development of upstream and downstream integration, promote business innovation, develop multi-level gas supply security, and reduce the cost of gas sources.

**X. Research, communication, and interviews received and other activities**

1. Registration form for receiving research, communication and interviews during the reporting period

Applicable  Not applicable

Date and Time	Manner of Reception	Type of visitor	Index of Basic Facts on Research
17 April, 2018	Field Research	Organization	The visitors mainly understand the current status of the natural gas industry and the business segments of the Company. On the premise of avoiding selective information disclosure, the Company will explain or describe its operation, industry status and other public information. For details, please refer to the "Investor Relations" column on the interactive platform of the Shenzhen Stock Exchange.
27 April, 2018	Field Research	Organization	The visitors mainly understand the current status of the natural gas industry and the business segments of the Company. On the premise of avoiding selective information disclosure, the Company will explain or describe its operation, industry status and other public information. For details, please refer to the "Investor Relations" column on the interactive platform of the Shenzhen Stock Exchange.
<b>Number of receptions</b>			2
<b>Number of organisations received</b>			6
<b>Number of individuals received</b>			0
<b>Number of other visitors received</b>			0
<b>whether to disclose, reveal or divulge material undisclosed information</b>			No

The above-mentioned log of investor relation activities are disclosed through the interactive platform of the Shenzhen Stock Exchange.

During the reporting period, the Company also received numerous telephone or e-mail enquiries from public investors regarding the Company's operations, to which the Company responded seriously in accordance with the Investor Relations Management System and relevant laws and regulations, on the premise of avoiding selective disclosure of information.

## Section 5 Significant Events

### I. The Company's common stock profit distribution and conversion of capital reserve into share capital

1. Formulation, implementation or adjustment of common stock profit distribution policy, especially cash dividend policy, during the Reporting Period

Applicable  Not applicable

The Company, which attaches importance to reasonable returns to investors, strictly implemented the profit distribution policy in accordance with its Articles of Association. The Company formulated and implemented its cash dividend policy in accordance with normative documents and the Articles of Association. It has completed decision-making procedures and mechanisms. With clear duties, the independent directors played their due roles. Minority shareholders had the opportunity to fully express their opinions and appeals, and their legitimate rights and interests have been safeguarded.

Special explanation of cash dividend policy	
Whether it complies with the provisions of the Articles of Association or the resolutions of the general meeting of shareholders:	Yes
Whether the dividend payout standard and ratio are clear and definite:	Yes
Are the decision-making procedures and mechanisms complete:	Yes
Whether the independent directors have performed their duties and played their due roles:	Yes
Whether minority shareholders had the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully safeguarded:	Yes
Whether the conditions and procedures for the adjustment or change of the cash dividend policy are compliant and transparent:	Not applicable

2. The Company's common stock dividend distribution plan (prearranged plan) and plan (prearranged plan) of conversion of capital reserve into share capital in recent three years (including the Reporting Period)

As the requirements for paying dividends stipulated in the Articles of Association were not met, the Company did not distribute profits in 2016.

As the requirements for paying dividends stipulated in the Articles of Association were not met, the Company did not distribute profits in 2017.

The Company's prearranged plan for profit distribution for 2018: The Company that is seeing the rapid development of the natural gas business needs to invest heavily in mergers and acquisitions and self-built projects in the natural gas sector in the future. Meanwhile, its accumulated net profit in recent three years is negative, which fails to meet the requirements for paying dividends stipulated in the Articles of Association. So, for its long-term development, the Company plans to neither distribute profits nor convert capital reserve into share capital in 2018. The retained profit will be used to develop its natural gas business.

The independent directors of the Company expressed their independent opinions in favour of this, holding that the prearranged plan for profit distribution complies with the Articles of Association and the relevant regulations for listed companies, and the procedures are in compliant and legal. The distribution plan focuses on the needs of the Company's realistic development, which is conducive to the return of shareholders, is in line with the long-term interests of the Company and shareholders, and complies with listed companies' provisions on dividends and the Company's Articles of Association.

The Company's prearranged plan for profit distribution for 2018 needs to be submitted to the 2018 Annual General Meeting of Shareholders for review.

3. Table of the Company's cash dividends on common stock in recent three years (including the Reporting Period)



Unit:  
Yuan

Year	Cash dividend (tax inclusive)	Net profit attributable to common shareholders of the listed company in the consolidated statement in the year	Ratio of cash dividend in other ways to net profit attributable to common shareholders of the listed company in the consolidated statement	Cash dividend in other ways (such as share buyback)	Cash dividend in other ways (such as share buyback)	Total cash dividends (including other ways)	Ratio of cash dividend to net profit attributable to common shareholders of the listed company in the consolidated statement
2018	0.00	102,530,653.04	0.00%	0.00	0.00%	0.00	0.00%
2017	0.00	62,302,459.69	0.00%	0.00	0.00%	0.00	0.00%
2016	0.00	-292,688,463.91	0.00%	0.00	0.00%	0.00	0.00%

4. The Company was profitable during the Reporting Period and the parent company's net profit available for distribution to common shareholders was positive, but it did not propose a prearranged plan for distribution of cash dividends on common stock

Applicable  Not applicable

Reason why the Company did not propose a prearranged plan for distribution of cash dividends on common stock, although it was profitable during the Reporting Period and the parent company's net profit available for distribution to common shareholders was positive	Use of the Company's retained profits and relevant plan
The Company that is seeing the rapid development of the natural gas business needs to invest heavily in mergers and acquisitions and self-built projects in the natural gas sector in the future. Meanwhile, its accumulated net profit in recent three years is negative, which fails to meet the requirements for paying dividends stipulated in the Articles of Association. So, for its long-term development, the Company plans to neither distribute profits nor convert capital reserve into share capital in 2018.	The retained profit will be used to develop its natural gas business.

**II. Profit distribution and conversion of capital reserve into share capital during the Reporting Period**

Applicable  Not applicable

The Company plans not to distribute cash dividends, issue bonus shares or convert capital reserve into share capital in the year.

## **Section 8 Directors, supervisors, senior managers and employees**

### **IV. Remuneration for directors, supervisors and senior managers**

#### **1. Procedure and basis for determining the remuneration for directors, supervisors and senior managers**

##### **(1) Procedure for determining the remuneration for directors, supervisors and senior managers**

The Company's general meeting of shareholders and Board of Directors formulated the Management Measures on Remuneration for the Ninth Directors and Supervisors and the Management Measures on Remuneration and Appraisal for the Ninth Senior Managers. The remuneration of directors and supervisors is linked to the contributions they make to the Company, and the remuneration of senior managers is linked to performance appraisal. Short- and long term incentives are combined. The Remuneration and Appraisal Committee of the Company's Board of Directors is responsible for the appraisal and remuneration determination of directors and senior managers, and reports to the Board of Directors for deliberation and public disclosure; The Company's Board of Supervisors is responsible for the appraisal and remuneration determination of supervisors, and makes public disclosure.

##### **(2) Basis for determining the remuneration for directors, supervisors and senior managers**

The remuneration plan for directors and supervisors was developed based on Management Measures on Remuneration for the Ninth Directors and Supervisors that was approved at the 2017 Annual General Meeting, and the remuneration plan for senior managers was based on the Management Measures on Remuneration and Appraisal for the Ninth Senior Managers (temporarily) passed at the fifth meeting of the ninth Board of Directors.

2. Remuneration for the Company's directors, supervisors and senior managers during the Reporting Period

Unit: 10,000 Yuan

Name	Title	Gender	Age	Employment status	Total pre-tax compensation received from the Company	Whether he/she gets paid by affiliates of the Company
Wang Peng	Chairman	Male	61	Incumbent	182.62	No
Wang Jian	Vice Chairman	Male	63	Incumbent	4	Yes
Du Yihong	Director, CEO and Board Secretary	Male	43	Incumbent	68.19	No
Zang Qiwen	Director	Female	64	Incumbent	4	Yes
Ma Xiang	Director	Male	48	Incumbent	4	Yes
Li Shouqing	Director and Chief Accountant	Female	47	Incumbent	37.66	No
Tian Guanshan	Independent director	Male	55	Incumbent	12	No
Zhu Long	Independent director	Male	64	Incumbent	0	No
Zhang Yufeng	Independent director	Male	55	Incumbent	0	No
Zhang Shuming	Independent director	Male	52	Incumbent	12	No
Meng Lian	Chief supervisor	Female	53	Incumbent	48.66	No
Liu Zhiqiang	Deputy chief supervisor	Male	57	Incumbent	25.88	No
Zhou Lijie	Supervisor	Female	44	Incumbent	4	Yes

Zhang Zhongli	Supervisor	Male	50	Incumbent	15.58	No
Wang Jian	Supervisor	Female	31	Incumbent	0	Yes
Sun Buwu	Vice president	Male	54	Incumbent	73.69	No
Wang Shimeng	Vice president	Male	51	Incumbent	37.66	No
Wang Youyin	Vice president	Male	48	Incumbent	37.64	No
Cui Shaohua	Independent director	Male	61	Resigned	12	No
Liang Fu	Independent director	Female	50	Resigned	12	No
Song Li	Supervisor	Female	56	Resigned	15.56	No
<b>Total</b>	--	--	--	--	<b>607.14</b>	--

Notes: ① The above remuneration includes the 2018 rewards given during the Reporting Period;

② The remuneration of external directors, supervisors and independent directors of the Company is the 2018 remuneration paid during the Reporting Period.

3. Equity incentives granted to the Company's directors and senior managers during the Reporting Period

Applicable  Not applicable

#### V. Employees of the Company

1. Number, composition and education level of employees

Number of in-service employees in the parent company (persons)	85
Number of in-service employees in the major subsidiaries (persons)	1,916
Total number of in-service employees (persons)	2,001
Total number of salaried employees in the current period (persons)	2,001
Number of retired employees whose expenses are borne by the parent company and major subsidiaries (persons)	46
Composition of employees	
Employees by profession	Number of employees by profession (persons)
Production staff	1,127
Salespersons	183
Technicians	155

Financial staff	118
Administrative staff	418
Total	2,001
Education level	
Types of education levels	Number (persons)
Master's degree	32
Bachelor's degree	407
Associate degree	608
Senior high school and below	954
Total	2,001

### 2. Remuneration policy

The Company has established a compensation management system that meets the requirements of listed companies, in a bid to better give play to the role of the compensation mechanism as incentive, further arouse the working enthusiasm of employees, and promote its healthy and sustainable development. It formulated compensation management measures in accordance with the relevant national laws and regulations, labour and personnel management policies and the Company's articles of association, and based on the local and industrial salary level and the actual situation of the Company. The Company determines employees' compensation standards based on job value, and adheres to performance-oriented and ability-oriented principles, giving reasonable returns to excellent employees; All employees shall enjoy fair and consistent treatment, without gender discrimination; At the same time, the Company is committed to attracting and retaining outstanding talents by offering them competitive salaries.

### 3. Training programme

The Company always gives priorities to the training and development of talents and actively implements the talent concept of "everyone is a talent, and talent is capital". It learned from iconic companies in the industry, strengthened the key talent training mechanism, and improved the business ability and management level of management talents in key positions. The Company tapped resources from internal and external training platforms, and promoted the sharing of

management experience among managers to broaden their management vision. Efforts were made to create a good learning environment for employees and improve the working standards of individuals to ensure the sustainable, healthy and stable development of the Company.

4. Labour outsourcing

Applicable  Not applicable



**B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY FOR THE YEAR ENDED 31 DECEMBER 2019****Section IV - Management Discussion and Analysis****I. Overview**

In 2019, in the face of the challenging and complicated economic circumstances, under the strong leadership of the Board of Directors, the Company actively responded to the changes in the situation, continued to implement the concept of safe development, strived to open up the market, and accelerated management innovation, achieving healthy and rapid development.

In 2019, the Company achieved operating income of RMB5,348 million and net profit attributable to the parent company of RMB133 million, representing a year-on-year increase of 30.13% in net profit.

(1) During the reporting period, the Company further optimized the structure of the natural gas business as its principal activities by strategically adjusting the low-margin natural gas trading business and focusing on increasing its natural gas terminal sales, with the sales volume of terminal gas increased by 18.98%. Therefore, the natural gas business continued to grow rapidly with the quality and efficiency of natural gas assets improved steadily.

(i) During the reporting period, the Company actively responded to the complicated operating environment and achieved double growths in sales volume and gross profit margin with strong execution of the team, accelerated market development efforts and reduced procurement costs.

(ii) During the reporting period, the Company's natural gas business structure continued to be optimized, and the Company's sustainability was further enhanced by increasing the number of commercial and industrial accounts opened, increasing the proportion of operating income and reducing the reliance on account opening revenue.

(iii) During the reporting period, the Company accelerated the promotion of the non-gas business in the gas segment. The gas-related value-added business has become a new profit growth point for the Company, and with the help of this business, the Company achieved rapid development during the reporting period, and the development prospect of the gas-related value-added business is promising.

(2) The Company's pipeline manufacturing segment has responded to changes in the market situation, overcome unfavorable situations such as fluctuations in raw material prices, high inventory costs and intense competition in the market, strived to open up markets, develop customer base and improve its product structure, and achieved satisfactory operating results.

(3) During the reporting period, the Company solidly pushed forward with its work on safety production and placed more emphasis on the implementation of safety measures in 2019, based on the rules and systems established in 2018. Over the past year, the Company has made use of nighttime and holidays to conduct on-site emergency response drills, convened safety observation and exchange conferences, and launched safety day activities such as "General Manager Safety Open Class" and "Be a Safety Officer for a Day", which have continuously enhanced the company's safety awareness and safety system.

(4) During the reporting period, the Company actively refined its management and made breakthroughs and progress in key areas such as pooled procurement, reduction of supply and sales gap, value-added business and reduction of financing costs, with significant results achieved in cost reduction and efficiency enhancement. The Company has been accelerating its management innovation and fully utilizing the synergy and sharing among member enterprises in innovative management arrangements; The Company adhered to a problem-oriented approach for the core of innovative management; The Company focused on innovation in details for the forms of innovation, kept progressing its innovation work and has achieved good results.

(5) During the reporting period, the Company strengthened its internal control supervision and regulated business conduct with "Shengli Health" at the core. Under the leadership of the Supervisory Committee of the Company, a robust supervisory system has been established with the Supervisory, Audit and Disciplinary Committees as the main bodies, and the internal control system of the Company has been further improved and the management level has reached a new level.

(6) During the reporting period, the Company accelerated the team building work and actively carried out diverse and economical team care and building activities, which further enhanced the cohesion and centripetal force of the Company's team and boosted the morale of the employees in their work and business.

## II. Principal Activities Analysis

### 1. Overview

Is it the same as the summary disclosed in the Management Discussion and Analysis section

Yes  No

See "I. Overview" in the "Discussion and Analysis of Operations".

### 2. Income and Costs

#### (1) Operating Income Components

Unit: Yuan

	2019		2018		YoY increase/decrease (%)
	Amount	Percentage of operating income (%)	Amount	Percentage of operating income (%)	
Total operating income	5,348,283,403.38	100	4,675,800,100.30	100	14.38

By segment					
Natural gas terminal sales business	2,745,978,088.08	51.34	2,351,637,915.14	50.29	16.77
Natural gas trading business	899,849,910.81	16.83	1,017,475,306.06	21.76	-11.56
Pipeline Manufacturing Segment	923,542,139.81	17.27	847,627,797.82	18.13	8.96
Oil trading business	775,097,930.78	14.49	451,115,304.34	9.65	71.82
Other	3,815,333.90	0.07	7,943,776.94	0.17	-51.97
By product					
Natural gas terminal sales business	2,745,978,088.08	51.34	2,351,637,915.14	50.29	16.77
Natural gas trading business	899,849,910.81	16.83	1,017,475,306.06	21.76	-11.56
Pipeline Manufacturing Segment	923,542,139.81	17.27	847,627,797.82	18.13	8.96
Oil trading business	775,097,930.78	14.49	451,115,304.34	9.65	71.82
Other	3,815,333.90	0.07	7,943,776.94	0.17	-51.97

By region					
Shandong Region	3,549,718,618.41	66.37	3,081,777,015.69	65.90	15.18
Shaanxi	59,712,726.99	1.12	74,627,829.67	1.60	-19.99
Liaoning	18,045,201.70	0.34	22,277,095.93	0.48	-19.00
Hebei	874,798,763.34	16.36	791,891,565.71	16.94	10.47
Guangxi	37,604,727.10	0.70	27,162,482.06	0.58	38.44
Henan	319,397,252.02	5.97	254,348,272.29	5.44	25.57
Zhejiang	143,417,779.50	2.68	151,133,250.15	3.23	-5.11
Jiangxi	48,200,138.34	0.90	38,983,386.58	0.83	23.64
Chongqing	297,388,195.98	5.56	233,599,202.22	5.00	27.31

Notes: The comparative data presented in this table are based on the same criteria.

(2) Segments, products or regions accounting for more than 10% of the Company's operating income or operating profit

√ Applicable □ Not applicable

Unit: Yuan

	Operating Income	Operating Costs	Gross margin (%)	Operating Income Change YoY (%)	Operating Costs Change YoY (%)	Up or down in gross margin compared to the same period of the previous year
By segment						
Natural gas terminal sales business	2,745,978,088.08	2,111,735,441.04	23.10	16.77	18.08	Down by 0.85%
Natural gas trading business	899,849,910.81	889,197,499.16	1.18	-11.56	-11.67	Up by 0.12%
Pipeline Manufacturing Segment	923,542,139.81	788,335,532.34	14.64	8.96	12.57	Down by 2.74%
Oil trading business	775,097,930.78	751,331,110.30	3.07	71.82	71.36	Up by 0.26%
Others	3,815,333.90	1,912,201.01	49.88	-51.97	-32.68	Down by 14.36%

By product						
Natural gas terminal sales business	2,745,978,088.08	2,111,735,441.04	23.10	16.77	18.08	Down by 0.85%
Natural gas trading business	899,849,910.81	889,197,499.16	1.18	-11.56	-11.67	Up by 0.12%
Pipeline Manufacturing Segment	923,542,139.81	788,335,532.34	14.64	8.96	12.57	Down by 2.74%
Oil trading business	775,097,930.78	751,331,110.30	3.07	71.82	71.36	Up by 0.26%
Other	3,815,333.90	1,912,201.01	49.88	-51.97	-32.68	Down by 14.36%
By region						
Shandong Region	3,549,718,618.41	3,183,446,247.89	10.32	15.18	15.70	Down by 0.40%
Shaanxi	59,712,726.99	51,423,089.60	13.88	-19.99	-14.76	Down by 5.28%
Liaoning	18,045,201.70	13,195,852.93	26.87	-19.00	-12.04	Down by 5.79%
Hebei	874,798,763.34	710,025,912.53	18.84	10.47	13.26	Down by 1.99%
Guangxi	37,604,727.10	24,348,953.25	35.25	38.44	37.15	Up by 0.61%
Henan	319,397,252.02	251,298,395.18	21.32	25.57	27.96	Down by 1.39%
Zhejiang	143,417,779.50	101,362,683.29	29.32	-5.11	-8.97	Up by 3.00%
Jiangxi	48,200,138.34	29,593,966.06	38.60	23.64	17.59	Up by 3.16%
Chongqing	297,388,195.98	177,816,683.12	40.21	27.31	34.26	Down by 3.10%

Notes: The comparative data presented in this table are based on the same criteria.

In the event that the Company's statistics of principal activities are adjusted for the reporting period, the Company's adjusted statistics of principal activities for the most recent (1) year

Applicable  Not applicable

(3) Whether the Company's revenue from sales of goods is greater than its revenue from rendering of labour services

Yes  No

Unit: Yuan

By Sector	2019	2018	YoY increase/decrease (%)
Natural gas terminal sales business	2,745,978,088.08	2,351,637,915.14	16.77
Natural gas trading business	899,849,910.81	1,017,475,306.06	-11.56
Pipeline Manufacturing Segment	923,542,139.81	847,627,797.82	8.96
Oil trading business	775,097,930.78	451,115,304.34	71.82
Other	3,815,333.90	7,943,776.94	-51.97

Reasons for changes of more than 30% YoY in the relevant stats

Applicable  Not applicable

(i) The increase in operating income from the oil trading segment as compared to the corresponding period of last year was mainly due to the increase in trading volume of oil products in the current period as compared to the corresponding period of the previous year.

(ii) The decrease in other operating income as compared to the corresponding period of the previous year was mainly due to the transfer of the Company's equity interest in Shandong Shengli Great Liquor Cellar Co., Ltd., whose sales revenue was no longer included in the Company's consolidated financial statements.

(4) Fulfillment of material sales contracts entered into by the Company up to the period under review

Applicable  Not applicable

## (5) Operating cost components

## (i) By Sector

Unit: Yuan

By Sector	2019		2018		YoY increase/ decrease (%)
	Amount	Percentage of operating costs (%)	Amount	Percentage of operating costs (%)	
Natural gas terminal sales business	2,111,735,441.04	46.49	1,788,435,664.03	45.43	1.06
Natural gas trading business	889,197,499.16	19.58	1,006,685,294.12	25.57	-6.00
Pipeline Manufacturing Segment	788,335,532.34	17.35	700,337,297.55	17.79	12.57
Oil trading business	751,331,110.30	16.54	438,444,749.42	11.14	71.36
Other	1,912,201.01	0.04	2,840,393.11	0.07	-32.68

## (ii) By Product

Unit: Yuan

By Product	2019		2018		YoY increase/ decrease (%)
	Amount	Percentage of operating costs (%)	Amount	Percentage of operating costs (%)	
Natural gas terminal sales business	2,111,735,441.04	46.49	1,788,435,664.03	45.43	1.06
Natural gas trading business	889,197,499.16	19.58	1,006,685,294.12	25.57	-6.00
Pipeline Manufacturing Segment	788,335,532.34	17.35	700,337,297.55	17.79	12.57
Oil trading business	751,331,110.30	16.54	438,444,749.42	11.14	71.36
Other	1,912,201.01	0.04	2,840,393.11	0.07	-32.68

## ► Explanation

There are no other explanation.

## (6) Whether there was a change in the scope of consolidation during the reporting period

√ Yes □ No

For details of the changes in the scope of consolidation during the reporting period, please refer to “Section V. VIII. Changes in the scope of consolidation as compared to the financial statements of the previous year” in this report.

## (7) Significant changes or adjustments in the Company’s business, products or services during the reporting period

Applicable  Not applicable

(8) Major Customers and Major Suppliers

(i) Major Customers

<b>Total sales to top five customers (RMB Yuan)</b>	1,573,762,025.32
<b>Aggregate sales to top five customers as a percentage of total annual sales (%)</b>	22.85
<b>Percentage of sales to connected parties in the sales to top five customers as a percentage of total annual sales (%)</b>	0.00

Information on top 5 customers

SN	Customer Name	Sales (RMB Yuan)	Percentage of total annual sales (%)
1	Shanghai Junxin Petrochemical Co. Ltd.	557,047,699.53	8.09
2	Zhejiang Free Trade Zone Junxin Energy Co., Ltd.	463,993,296.64	6.74
3	Daqing Longhua Oil Products Storage and Transportation Co., Ltd.	215,800,313.91	3.13
4	Linyi Yude Energy Co., Ltd.	196,135,792.15	2.85
5	China National Supply and Marketing Oil Co., Ltd.	140,784,923.09	2.04
<b>Total</b>	<b>-</b>	<b>1,573,762,025.32</b>	<b>22.85</b>

► Other explanations in relation to major customers

Applicable  Not applicable

The Company does not have any connected relationship with its top five customers as stipulated in the Rules Governing the Listing of Stocks.

② Major suppliers

<b>Total purchase from top 5 suppliers (RMB Yuan)</b>	2,033,781,110.51
<b>Aggregate purchase from top five suppliers as a percentage of total annual purchase (%)</b>	30.72
<b>Purchase from connected parties in top five suppliers as a percentage of total annual purchase (%)</b>	0.00



## Information on top 5 suppliers

SN	Supplier Name	Purchase (RMB Yuan)	Percentage of total annual purchase (%)
1	Panjin Ruiben Petrochemical Trading Co., Ltd.	722,282,903.83	10.91
2	PetroChina Compay Limited Hebei Natural Gas Sales Branch	431,510,005.28	6.52
3	Panjin Branch, Liaoning Liaohe Petroleum Co., Ltd.	443,716,615.81	6.70
4	Panjin Ruidong Petrochemical Trading Company	234,674,955.90	3.54
5	Liaoning Sinopec Liahe Oil Sales Co., Ltd.	201,596,629.69	3.04
<b>Total</b>	-	<b>2,033,781,110.51</b>	<b>30.72</b>

► Other explanations in relation to major suppliers

√ Applicable □ Not applicable

The Company does not have any connected relationship with its top five suppliers as stipulated in the Rules Governing the Listing of Stocks.

## 3. Expenses

Unit: Yuan

	2019	2018	YoY increase/decrease (%)
Cost of Sales	299,122,038.39	247,413,830.36	20.90
Administrative expenses	148,528,785.96	132,377,671.12	12.20
Financial expenses	78,185,696.96	99,333,789.37	-21.29
R&D expenses	19,279,557.41	17,663,318.65	9.15
Operating Income	5,348,283,403.38	4,675,800,100.30	14.38
Operating Costs	4,542,511,783.85	3,936,743,398.23	15.39
Business tax and surcharges	14,531,957.39	12,959,558.43	12.13
Asset impairment loss	-18,705,697.80	-52,546,980.61	-64.40
Other income	4,183,605.22	5,488,470.11	-23.77
Investment income	58,268,685.86	58,888,204.75	-1.05

Income from changes in fair value	-4,886,327.08	-6,049,878.60	-19.23
Non-operating income	4,901,006.17	2,217,951.25	120.97
Non-operating expenses	2,999,378.59	1,207,421.01	148.41
Income tax expenses	84,128,378.82	54,794,672.35	53.53
Total profit	288,082,254.50	236,684,885.68	21.72
Net profit attributable to the shareholders of the listed company	133,427,291.24	102,530,653.04	30.13
Net profit attributable to the shareholders of the listed company after deducting the non-recurring profits and losses	124,438,974.19	100,857,789.81	23.38

#### Description of material changes

(1) The increase in cost of sales as compared to the corresponding period of the previous year was mainly due to the increase in operating income of the Company's natural gas segment in the current period, resulting in the corresponding increase in labor costs and transportation costs, as well as the effect of cost of sales of subsidiaries included in the scope of consolidation in the current period.

(2) The increase in administrative expenses as compared to the corresponding period of the previous year was mainly due to the increase in labor and other administrative expenses as a result of the expansion of the Company's natural gas segment in the current period, as well as the effect of the administrative expenses of the subsidiaries included in the scope of consolidation in the current period.

(3) The decrease in financial expenses as compared to the corresponding period of the previous year was mainly due to lower financing costs as a result of the repayment of loans in the current period.

(4) The increase in operating income as compared to the corresponding period of the previous year was mainly due to the growth in the Company's natural gas segment and trading segment.

(5) The increase in operating costs as compared to the corresponding period of the previous year was mainly due to the growth in the Company's natural gas segment and trading segment.

(6) The decrease in impairment loss on assets as compared to the corresponding period of the previous year was mainly due to the adjustment of the policy on bad debts.

(7) The increase in other income as compared to the corresponding period of the previous year was mainly due to the increase in government grants received by the Company in the current period.

(8) The increase in the income from changes in fair value as compared to the corresponding period of the previous year was mainly due to changes in the appraised value of investment properties.

(9) The increase in non-operating expenses as compared to the corresponding period of the previous year was mainly due to the disposal and retirement of assets of subsidiaries.

(10) The increase in income tax expense as compared to the corresponding period of the previous year was mainly due to the increase in deferred income tax liabilities provided for

taxable temporary differences resulting from the preferential corporate income tax policy enjoyed by certain subsidiaries of the Company.

(11) The increase in total profit, net profit attributable to the shareholders of the listed company and net profit attributable to the shareholders of the listed company after deducting the non-recurring profits and losses as compared to the corresponding period of the previous year was mainly due to the growth in operating results of the Company's natural gas business.

#### 4. Research and development inputs

Applicable  Not applicable

(1) During the reporting period, Shandong Shengbang Plastics Co., Ltd., a controlled subsidiary of the Company, had 10 research and development projects as follows:

(i) Research and development of fire retardant polyethylene pipes for drainage, which was completed during the reporting period.

(ii) Development of orange pigment for net boxes, which was completed during the reporting period.

(iii) Steel skeleton polyethylene pipes for underground pipe corridors, which was completed during the reporting period.

(iv) Development of in-line marking device for non-conforming PE pipes, which was completed during the reporting period.

(v) Aging resistant double-layer co-extruded polyethylene pipes, which was completed during the reporting period.

(vi) Development of a pipeline marking, inspection and sorting device, which was completed during the reporting period.

(vii) Study on integrated system of marine pasture, which was 80% completed during the reporting period.

(viii) Development of automatic bag opening device for raw materials, which was completed during the reporting period.

(ix) Development of a novel process thermal jacket, which was 70% complete during the reporting period.

(x) Development of heat resistant polyethylene direct buried heating pipes, which was 70% completed during the reporting period.

#### (2) R&D Inputs

	2019	2018	Change in Percentage
<b>Number of R&amp;D staff (persons)</b>	26	26	0.00%
<b>Percentage of R&amp;D staff</b>	1.23%	1.30%	-0.07%
<b>R&amp;D input in Amount (RMB Yuan)</b>	19,279,557.41	17,663,318.65	9.15%
<b>R&amp;D input as a percentage of operating income</b>	0.36%	0.38%	-0.02%

<b>Amount of R&amp;D inputs capitalized (RMB Yuan)</b>	0.00	0.00	0.00%
<b>Proportion of capitalization of R&amp;D investment to total</b>	0.00%	0.00%	0.00%

(3) Reasons for the significant change in total R&D investment as a percentage of operating income as compared to the previous year

Applicable  Not applicable

(4) Reasons for the significant change in the capitalisation rate of R&D inputs and its justification

Applicable  Not applicable

#### 5. Cash flow

Unit: Yuan

Item	2019	2018	YoY increase/decrease (%)
<b>Sub-total of cash inflows from operating activities</b>	6,119,056,945.24	5,284,398,948.39	15.79
<b>Sub-total of cash outflows from operating activities</b>	5,528,259,281.21	5,000,456,543.12	10.56
<b>Net cash flows from operating activities</b>	590,797,664.03	283,942,405.27	108.07
<b>Sub-total of cash inflows from investing activities</b>	36,776,183.06	39,998,218.99	-8.06
<b>Sub-total of cash outflows from investing activities</b>	356,594,158.80	645,723,000.59	-44.78
<b>Net cash flows from investing activities</b>	-319,817,975.74	-605,724,781.60	46.07
<b>Sub-total of cash inflow from financing activities</b>	1,427,440,000.00	1,837,600,000.00	-22.32
<b>Sub-total of cash outflow from financing activities</b>	1,702,345,696.87	1,493,756,766.43	13.96
<b>Net cash flows from financing activities</b>	-274,905,696.87	343,843,233.57	-179.95
<b>Net increase in cash and cash equivalents</b>	-3,925,691.82	22,060,857.24	-117.79

(1) Description of the main drivers affecting the significant year-on-year change in the relevant stats

Applicable  Not applicable

(i) The increase in net cash flows from operating activities as compared to the corresponding period of the previous year was mainly due to the increase in sales receipts resulting from the significant increase in sales income as a result of the development of the natural gas business and the strengthened cash flow management.

(ii) The increase in net cash flows from investing activities as compared to the corresponding period of the previous year was mainly due to the decrease in cash paid for the investment in the construction of natural gas pipeline network of the Company's natural gas segment and the payment made by the Company for acquisition of equity interest in the current period as compared to the previous period.

(iii) The decrease in net cash flows from financing activities as compared to the corresponding period of the previous year was mainly due to the increase in the repayment of loans by the Company in the current period as compared to the previous period and the decrease in the amount received from the note financing in the current period as compared to the previous period.

(2) Description of the reasons for the significant difference between the net cash flows from operating activities and the net profit for the year for the reporting period

Applicable  Not applicable

The difference between the net profit of RMB203,953,900 and the net cash flow from operating activities of RMB59,079,770 for the year is mainly due to: the costs and expenses included items that don't involve payments in cash, respectively provision for impairment of assets of RMB18,705,700, depreciation of fixed assets, amortization of intangible assets and amortization of long-term deferred expenses totaling RMB103,990,200, loss on changes in fair value of RMB4,886,300, financial interest expense of RMB100,623,900 attributable to financing activities, investment income of RMB58,268,700 attributable to investing activities, decrease of RMB2,229,000 in deferred income tax assets, increase of RMB21,000,900 in deferred income tax liabilities, decrease of RMB27,640,600 in inventories, increase of RMB167,157,200 in operating receivables, and the increase of RMB333,447,900 in costs charged but not yet paid for the current period.

### III. Non-Principal Activities Analysis

Applicable  Not applicable

Unit: Yuan

	Amount	Percentage of total profit (%)	Description of Causes	Sustainable or not
<b>Investment income</b>	58,268,685.86	20.23	Income from long-term equity investments accounted for under the equity method and investment income arising on disposal of equity interests	No
<b>Loss/gain on changes in fair value</b>	-4,886,327.08	-1.70	Changes in the fair value of investment properties.	No
<b>Assets impairment</b>	-18,705,697.80	-6.49	Provisions are made in accordance with accounting standards.	No
<b>Other income</b>	4,183,605.22	1.45%	They are mainly a government grant recognised for the period.	No
<b>Gains on Disposal of Assets</b>	718,169.60	0.25%	They are mainly the gains or losses on disposal of non-current assets	No
<b>Non-operating income</b>	4,901,006.17	1.70	They are mainly a government grant recognised for the period.	No
<b>Non-operating expenses</b>	2,999,378.59	1.04	They are mainly expenses, such as donations and fines.	No
<b>Credit impairment</b>	478,607.70	0.17	Provisions are made in accordance with accounting standards.	No

## IV. Assets and liabilities

## 1. Significant changes in asset components

Unit: Yuan

	End of 2019		Beginning of 2019		Change in Percentage (%)
	Amount	Percentage of total assets (%)	Amount	Percentage of total assets (%)	
Monetary Funds	740,019,460.63	11.37	1,019,938,236.45	15.83	-4.46
Accounts receivable	417,963,503.31	6.42	338,520,064.54	5.25	1.17
Inventories	413,548,323.42	6.35	447,246,067.79	6.94	-0.59
Investment properties	77,219,556.00	1.19	82,387,794.00	1.28	-0.09
Long-term equity investments	829,037,179.11	12.74	778,173,556.00	12.08	0.66
Fixed assets	1,588,179,807.64	24.40	1,465,879,046.08	22.75	1.65
Construction in progress (CIP)	215,260,087.13	3.31	197,664,532.50	3.07	0.24
Short-term borrowings	926,639,462.15	14.24	1,093,601,851.87	16.97	-2.73
Long-term borrowings	180,340,000.00	2.77	164,500,000.00	2.55	0.22
Prepayments	227,028,157.88	3.49	147,300,534.70	2.29	1.20
Other receivables	179,715,564.40	2.76	186,089,216.33	2.89	-0.13
Intangible assets	113,470,265.92	1.74	123,586,774.46	1.92	-0.18
Goodwill	1,285,536,270.56	19.75	1,229,406,768.03	19.08	0.67
Other non-current assets	50,974,017.17	0.78	47,438,503.58	0.74	0.04
Notes payable	549,620,000.00	8.44	660,000,000.00	10.24	-1.80
Accounts Payable	358,084,214.54	5.50	357,975,578.49	5.56	-0.06
Advance receipts	689,379,949.16	10.59	544,091,655.00	8.44	2.15
Employee benefits payable	59,022,364.69	0.91	35,814,845.84	0.56	0.35
Taxes payable	29,865,709.33	0.46	54,366,449.56	0.84	-0.38
Other payables	156,154,691.29	2.40	152,355,786.73	2.36	0.04
Non-current liabilities due within one year	242,602,434.38	3.73	152,051,023.61	2.36	1.37
Long-term payables	348,566,666.67	5.35	443,683,333.33	6.89	-1.54
Deferred tax liabilities	40,256,682.12	0.62	19,255,786.65	0.30	0.32

## Description of material changes

(1) The decrease in monetary funds as compared to the beginning of the period was mainly due to the repayment of bank loans and settlement of bank acceptance bills upon maturity.

(2) The increase in accounts receivable as compared to the beginning of the period was mainly due to the increase in receivables corresponding to the increase in sales revenue as a result of the expansion of the Company's market share in the natural gas and pipeline manufacturing segments.

(3) The increase in fixed assets as compared to the beginning of the period was mainly due to the increase in fixed assets of the Company's natural gas pipeline segment.

(4) The decrease in short-term borrowings as compared to the beginning of the period was mainly due to the repayment of short-term borrowings by the Company.

(5) The increase in prepayments as compared to the beginning of the period was mainly due to the increase in prepayments for purchases of raw material in the natural gas business, pipeline manufacturing business and trading business.

(6) The decrease in notes payable as compared to the beginning of the period was mainly due to the repayment of notes payable on maturity.

(7) The increase in prepayments received as compared to the beginning of the period was mainly due to the prepayments received as natural gas account opening fees and natural gas fees during the period.

(8) The increase in employee benefits payable as compared to the beginning of the period was mainly due to the award of bonuses for the year 2019 in the current period.

(9) The increase in non-current liabilities due within one year as compared to the beginning of the period was mainly due to the transfer of long-term loans due within one year.

(10) The increase in deferred income tax liabilities as compared to the beginning of the period was mainly due to the increase in deferred income tax liabilities provided for taxable temporary differences resulting from the preferential corporate income tax policy enjoyed by certain subsidiaries of the Company.



## 2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: Yuan

Item	Opening figure	Loss/gain on changes in fair value for the period	Cumulative fair value changes recognised in equity	Impairment charged in the period	Purchase for the period	Disposal for the period	Other changes	Closing figure
<b>Financial Assets</b>								
1. Financial assets held for trading (excluding derivative financial assets)	--	--	--	--	--	--	--	--
2. Derivative financial assets	--	--	--	--	--	--	--	--
3. Other debt investments	--	--	--	--	--	--	--	--
4. Investment in other equity instruments	77,265,266.99	--	335,580.78	--	--	6,076,022.98	--	71,524,824.79
Subtotal of financial assets	77,265,266.99	--	335,580.78	--	--	6,076,022.98	--	71,524,824.79
Investment properties	82,387,794.00	-5,168,238.00	--	--	--	--	--	77,219,556.00
Productive biological assets	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--
<b>Total of the above</b>	<b>165,702,939.59</b>	<b>-5,168,238.00</b>	<b>335,580.78</b>	<b>--</b>	<b>--</b>	<b>6,076,022.98</b>	<b>--</b>	<b>148,744,380.79</b>
<b>Financial liabilities</b>	--	--	--	--	--	--	--	--

For items measured at fair value, their classification, measurement method, impairment provision and accounting among others are clearly stipulated in the Company's internal control systems, such as the Financial Management System, Accounting System and Property Stock Taking Regulations. The leasehold properties on Haikou Road, Qingdao as listed above, a part of the Company, are measured at fair value in accordance with the Company's accounting policy, of which the fair value was determined with due consideration to the quoted price in the active local real estate trading market and with reference to the appraised price by the real estate appraisal agency.

The Company estimates whether the impact of the above fair value changes on the Company's profit is sustainable or not based on a combination of internal and external factors, but there are a certain risk of uncertainty in real estate market prices due to the national regulation.

► Contents of other changes

Applicable  Not applicable

► Whether there were significant changes in the measurement nature of major assets of the Company during the reporting period

Yes  No

3. Restricted rights to assets as at the end of the reporting period

For the Company's assets with restricted ownership rights or right to use as of the end of the reporting period, please refer to "V. Notes to the key items of the consolidated financial statements - (53) Assets with restricted ownership rights or right to use" under the Notes to the Financial Statements" section of this report.

#### **V. Investments**

1. General

Applicable  Not applicable

This Period (RMB)	Previous Year (RMB)	Range of change
89,250,000.00	713,280,300.00	-87.49%

## 2. Significant equity investments acquired during the reporting period

√ Applicable □ Not applicable

Unit: Yuan

Name of Investee	Principal activities	Manner of Investment	Investment Amount	Shareholding ratio	Source of funds	Partner	Investment Period	Type of Products	Progress as at the balance sheet date	Estimated return	Gain/loss on investments for the period	Involved in any litigation?	Date of disclosure	Disclosure Index
Puyang County Boyuan Natural Gas Co., Ltd.	Puyang Boyuan Natural Gas Co., Ltd. deals in natural gas in Liutun Township, Tubuzhai Township and Qinghetou Township, Puyang County, Puyang City	Acquisitions	89,250,000.00	51.00%	Self-financing	Xue Kexue and Yang Chengbao, shareholders of Puyang Boyuan Natural Gas Co., Ltd.	Long term	Puyang Boyuan Natural Gas Co., Ltd. deals in natural gas in Liutun Township, Tubuzhai Township and Qinghetou Township, Puyang County, Puyang City	The business registration formalities involved in the transaction have been completed	--	4,617,405.40	No	Not applicable	Not applicable
Total			89,250,000.00								4,617,405.40			

At the eighth meeting of the ninth the Board of Directors (provisional), the Company considered and approved the “Motion on the Acceptance of Transfer of Equity Interests in Puyang County Boyuan Natural Gas Co., Ltd.” and agreed that the Company and Xue Kexue and Yang Chengbao, shareholders of Puyang County Boyuan Natural Gas Co., Ltd., will execute an equity transfer agreement, according to which the Company accept the 51% equity held by Xue Kexue and Yang Chengbao in Boyuan Natural Gas at a transfer price of RMB89,250,000, which was determined on the basis of the report produced by an audit and appraisal institution qualified for securities and futures business. In order to protect the interests of both parties, the parties to the transaction have agreed on a price adjustment mechanism based on the above-mentioned equity transfer price in accordance with the principle of risk-sharing and benefit-sharing. The investment gain or loss for the period shown in the table above represents the amount of that company’s gain or loss from June 2019, when it was included in the company’s consolidated statements, to the end of the reporting period.

The Company has complied with the corresponding decision making procedures in respect of the above share acquisition in accordance with the regulations and the matter was not required to be disclosed under the Rules Governing the Listing of Stocks.

## 3. Significant non-equity investments in progress during the reporting period

□ Applicable √ Not applicable

## 4. Investment in financial assets

## (1) Securities Investment

Applicable  Not applicable

Unit: Yuan

Type of Securities	Securities Code	Stock Short Name	Initial investment cost	Accounting and Measurement Model	Opening carrying amount	Loss/gain on changes in fair value for the period	Cumulative fair value changes recognised in equity	Purchase for the period	Disposal for the period	Profit or loss for the period	Closing carrying amount	Accounts	Source of funds
Domestic and foreign shares	002948	Bank of Qingdao	162,708.00	Measured at Fair Value	162,708.00		335,580.78				498,288.78	Other equity instrument investments	Self-financing
Total			162,708.00		162,708.00		335,580.78				498,288.78		
Disclosure Date of Approval Announcement from Board of Directors on Investment in Securities			Not applicable										
Disclosure Date of Approval Announcement from Shareholders' Meeting on Investment in Securities			Not applicable										

Notes: The 83,887 shares of Qingdao Bank originally held by the Company were listed on the Shenzhen Stock Exchange on 16 January 2019.

## (2) Derivatives investment

Applicable  Not applicable

The Company had no derivative investments in the reporting period.

## 5. Use of proceeds

Applicable  Not applicable

The Company has no use of proceeds during the reporting period.

**VI. Material disposal of assets and equity interests**

## 1. Disposal of major assets

Applicable  Not applicable

The Company did not dispose of any major assets during the reporting period.

## 2. Disposal of material equity interests

Applicable  Not applicable

## VII. Analysis of Major Subsidiaries and Investees

√ Applicable □ Not applicable

### 1. Major subsidiaries and investees contributing more than 10% of net profit to the Company

Unit: Yuan

Company name	Company Type	Principal activities	Registered Capital	Total assets	Net Assets	Operating Income	Operating profit	Net profit
Qingdao Runhao Natural Gas Co., Ltd.	Subsidiary	Transportation of Dangerous Goods (Class 2), Operation of Natural Gas for Vehicles, Natural Gas Technical Information Consulting	86,400,000.00	262,863,328.85	119,076,615.26	327,460,913.42	14,511,244.01	13,009,072.72
Dong'a Dongtai Gas Co., Ltd.	Subsidiary	Natural gas sales and installation of supporting facilities	10,000,000.00	303,155,393.71	136,556,880.41	248,534,025.58	30,780,624.00	23,595,528.64
Shandong Shengbang Plastic Co., Ltd.	Subsidiary	Manufacturing, research and sale of plastic products	100,000,000.00	602,880,135.13	173,653,854.93	551,575,317.75	12,728,314.64	13,281,943.98
Puyang Boyuan Natural Gas Co., Ltd.	Subsidiary	Natural gas, stoves and accessories, heating equipment, sales	24,110,000.00	222,090,583.91	88,055,536.49	254,834,031.22	31,340,107.74	23,077,534.34
Bazhou Shengli Shunda Gas Co., Ltd.	Subsidiary	Natural gas business and pipeline distribution; business administration services; installation and maintenance of gas-fired appliance; Wholesale and retail of gas appliances, gas transmission equipment and materials; Lease of self-owned equipment, buildings and premises; Natural gas technical consulting services and natural gas technology development and utilization; Sales of building materials and accessories, electrical and mechanical equipment	130,000,000.00	652,035,465.14	223,363,311.24	781,705,738.91	90,425,007.40	68,395,584.88
Zibo Lvchuan Gas Co., Ltd.	Subsidiary	Sales of piped natural gas; Construction of urban gas works, production and sale of kitchenware, sale of household appliances, gas appliances, hardware products, plastic products, pipes, chemical products (excluding dangerous and precursor chemicals), installation and maintenance of gas-fired appliances (excluding special equipment), construction of pipeline networks (excluding pressure pipelines)	45,000,000.00	263,670,738.92	120,293,925.01	349,522,200.68	30,237,215.12	21,813,771.50

Anyang Beifang Shengli Gas Co., Ltd.	Subsidiary	Piped gas operations; Natural gas works construction; Maintenance and servicing of natural gas facilities; Dealing in gas appliances and materials for gas use; Lease of gas pipeline and equipment	39,000,000.00	274,733,594.26	69,971,436.44	93,093,024.43	17,647,255.70	13,290,836.13
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	Subsidiary	Urban development, project investment, industrial investment	50,000,000.00	232,448,013.12	188,653,759.76	96,450.70	10,408,026.58	10,476,865.71
Shandong Lihuasheng Energy Co., Ltd.	Subsidiary	Energy information consulting and new energy technology development, purchase and sales of natural gas equipment, and external investment	100,000,000.00	80,793,512.28	50,779,587.35	4,516,002.49	-13,189,539.20	-12,438,617.60
Shandong Huasheng Energy Co., Ltd.	Subsidiary	Investment, development and utilization of liquefied natural gas projects and installation of related equipment	100,000,000.00	206,319,615.69	20,920,994.66	220,404,997.86	-19,235,279.96	-19,221,931.73
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	Subsidiary	Investment, development and operation in relation to piped gas; Sale of liquefied natural gas, pipelines and accessories. Sales, installation and repair of natural gas equipment, electrical and mechanical equipment, electronic monitoring equipment, heating equipment, gas appliances and parts; Sales and installation of smart home appliances and kitchen and bathroom equipment; Natural Gas Technical Consulting Services	170,000,000.00	138,237,744.97	87,727,661.61	143,417,779.50	25,510,174.62	17,520,479.79
Chongqing Shengbang Gas Co., Ltd.	Subsidiary	Construction of natural gas and gas equipment installation works; Sales and repair of gas appliances; Sales of wall-mounted stoves and gas-fired equipment; Retail of Compressed Natural Gas	663,800,000.00	345,272,306.92	265,237,175.37	297,388,195.98	73,372,921.21	62,473,481.61
Shandong Shengli Bioengineering Co., Ltd.	Investee	Production and sales of premixes (flavomycin fermentation, salinomycin fermentation) and APIs (ivermectin), monensin premixes (antibiotic fermentation), and non-sterile APIs (tiamulin fumarate)	200,000,000.00	718,573,895.98	425,290,145.89	468,995,803.10	71,988,635.11	60,862,873.42

## 2. Acquisitions and disposals of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall operations and results
Puyang County Boyuan Natural Gas Co., Ltd.	Acquisitions	The impact on the profit of the Company for the period is minimal as it was in the Company's consolidated statements since June 2019.
Shandong Shengli Great Liquor Cellar Co., Ltd.	Transfer	In order to speed up the development of the principal activities and divest itself of its non-principal business, the Company performed the decision-making procedure to dispose of the subsidiary during the reporting period (it was not required to be disclosed under the Rules Governing the Listing of Stocks). The subsidiary is relatively small in assets and are transferred on a net asset basis, which has a relatively small impact on the company's profit for the reporting period.
Nanning Shengxin Natural Gas Utilities Co., Ltd.	Cancellation	In order to speed up the development of the principal activities and divest itself of its non-principal business, the Company performed the decision-making procedure to dispose of the subsidiary during the reporting period (it was not required to be disclosed under the Rules Governing the Listing of Stocks). The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Laiwu Nengquan Petroleum Sales Co., Ltd.	Transfer	In order to speed up the development of the principal activities and divest itself of its non-principal business, the Company performed the decision-making procedure to dispose of the subsidiary during the reporting period (it was not required to be disclosed under the Rules Governing the Listing of Stocks). The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Yanggu Nanwaihuan Fengyuan Gas Refueling Co., Ltd.	Transfer	In order to speed up the development of the principal activities and divest itself of its non-principal business, the Company performed the decision-making procedure to dispose of the subsidiary during the reporting period (it was not required to be disclosed under the Rules Governing the Listing of Stocks). The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Zibo Lihuasheng Natural Gas Utilities Co., Ltd.	Transfer	In order to speed up the development of the principal activities and divest itself of its non-principal business, the Company performed the decision-making procedure to dispose of the subsidiary during the reporting period (it was not required to be disclosed under the Rules Governing the Listing of Stocks). The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.

## 3. Description of Major Subsidiaries and Investees

There were no matters that need to be stated in respect of the Company's subsidiaries during the reporting period.

**VIII. Structured entities under the control of the company**

Applicable  Not applicable

**IX. Prospects****1. Competitive landscape and development trends in the industry**

China's economic development and the promotion of environmental protection policies have made China one of the fastest growing countries in terms of natural gas demand. At the same time, with the establishment of domestic and international supply systems, the formation of National Pipeline Company and the opening up of oil and gas pipeline facilities on a fair basis, China's capacity for the supply security of natural gas has been increased significantly. It is expected that the natural gas market in China will continue to grow steadily in the medium to long term and the industry will continue to enjoy development opportunities.

At the same time, with the upstream direct supply of natural gas, gas distribution price reform, supporting fee reform, opening up of gas works installation market and other factors, increasingly smaller natural gas price spreads, coupled with the current economic situation and the impact of the COVID-19 pandemic, will bring serious challenges to the company's short and medium-term operating results.

**2. Development Strategy**

Based on the current development trend of the natural gas industry and the analysis of the Company's internal circumstances, the Company will further strengthen its management foundation, enhance its brand value and service image, and vigorously develop its "1+N" business by "Leading with Innovation and Customer Needs Oriented". The Company will accelerate its strategic transformation into a "lifestyle service provider" and build up its core competitiveness under the new state.

**3. Business Plan**

Around its development strategy, in 2020, the Company will carry out four key actions, such as great market development, and service and brand enhancement, strengthen three drivers such as team building and management improvement, reinforce two key foundations for healthy development and excellent business relations, and keep the company's business progressing steadily under the guidance of innovation.

The Company will build a deeply rooted "N" model, plan and deloy its future business in a diversified and all-round way, and focus on the strategic transformation to a lifestyle service provider by taking the development of a smart gas platform as a springboard and meanwhile carrying out innovations in the areas of management mode, business model and service direction.

**4. Company Supply and Demand Plan**

In 2020, the Company will establish a capital supply and demand plan that matches its development, develop multiple financing channels in addition to its own capital, optimize its financing structure and reduce unit finance costs.



#### 5. Possible risks and counter measures

(1) Risks for the natural gas segment mainly lies with the change of the economic situations and the industry policy reform, bringing uncertainty to the earnings of the Company from its main business.

##### Counter Measures:

First, the Company will further improve its services and brand, launch a market development campaign, and strengthen its foundation management and financial support system to hedge against the uncertainties of the economic situation and external policies;

Second, the Company will further improve its cost management, increase its efforts in pooled procurement, seize the market opportunity where the supply of LNG exceeds demand, and respond in a timely manner to the new changes brought by National Pipeline Company, and strive to reduce the cost of gas sourced;

Third, the Company will promote business innovation, cultivate new profit growth points through businesses derived from our principal activities, improve our integrated service capabilities and make full use of existing market resources to enhance economies of scale.

(2) The risk for the pipeline manufacturing segment is mainly due to the competition in the end market.

##### Counter Measures:

First, the Company will make full use of the comprehensive advantages of brand, quality, technology and scale to increase publicity, further improve brand awareness, and actively develop new customers on the basis of maintaining good relationships with old customers;

Second, the Company will make good use of our existing marketing channels and surplus production capacity to expand our business, develop new businesses such as water supply pipes, PE pipe fittings and heat pipes, and actively participate in military support to enhance the efficiency and value of our pipeline manufacturing segment.

Third, the Company will continue to optimize its production capacity and strengthen our cost control from the management perspective.

#### X. Research, communication, and interviews received and other activities

1. Registration form for receiving research, communication and interviews during the reporting period

Applicable  Not applicable

The Company has not received any research, communication or interview activities during the reporting period.

2. During the reporting period, the Company also received numerous irm.cninfo.com.cn platform, telephone or e-mail enquiries from public investors regarding the Company's operations, to which the Company responded seriously in accordance with the Investor Relations Management System and relevant laws and regulations, on the premise of avoiding selective disclosure of information.

## Section 5 Significant Events

### I. The Company's common stock profit distribution and conversion of capital reserve into share capital

1. Formulation, implementation or adjustment of common stock profit distribution policy, especially cash dividend policy, during the Reporting Period

Applicable  Not applicable

The Company, which attaches importance to reasonable returns to investors, strictly implemented the profit distribution policy in accordance with its Articles of Association during the Reporting Period. The Company formulated and implemented its cash dividend policy in accordance with normative documents and the Articles of Association. It has complete decision-making procedures and mechanisms. With clear duties, the independent directors played their due roles. Minority shareholders had the opportunity to fully express their opinions and appeals, and their legitimate rights and interests have been safeguarded.

Special explanation of cash dividend policy	
Whether it complies with the provisions of the Articles of Association or the resolutions of the general meeting of shareholders:	Yes
Whether the dividend payout standard and ratio are clear and definite:	Yes
Are the decision-making procedures and mechanisms complete:	Yes
Whether the independent directors have performed their duties and played their due roles:	Yes
Whether minority shareholders had the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully safeguarded:	Yes
Whether the conditions and procedures for the adjustment or change of the cash dividend policy are compliant and transparent:	Not applicable

2. The Company's common stock dividend distribution plan (prearranged plan) and plan (prearranged plan) of conversion of capital reserve into share capital in recent three years (including the Reporting Period)

As the requirements for paying dividends stipulated in the Articles of Association were not met, the Company did not distribute profits in 2017.

As the requirements for paying dividends stipulated in the Articles of Association were not met, the Company did not distribute profits in 2018.

The Company's prearranged plan for profit distribution for 2019: In order to offer returns to shareholders and considering its distribution ability and the needs for strategic development, the Company proposed a prearranged plan for profit distribution for 2019 as follows: to use undistributed profit to pay a cash dividend of 0.35 yuan per 10 shares (tax inclusive) based on the total share capital of 880,084,656 shares of the Company to all shareholders, with the total cash dividends to be distributed amounting to 30,802,962.96 yuan (tax inclusive) . After the distribution of the cash dividend, the remaining undistributed profit will be retained for the development of the Company's natural gas business. The Company will not carry out bonus issue and conversion of capital reserve into share capital in 2019 .

The independent directors of the Company expressed their independent opinions in favour of this, holding that the prearranged plan for profit distribution complies with the Articles of Association and the relevant regulations for listed companies, and the procedures are in compliant and legal. The distribution plan focuses on the needs of the Company's realistic development, which is conducive to the return of shareholders, is in line with the long-term interests of the Company and shareholders, and complies with listed companies' provisions on dividends and the Company's Articles of Association. We agree with them.

The Company's prearranged plan for profit distribution for 2019 needs to be submitted to the 2019 Annual General Meeting of Shareholders for review.

3. Table of the Company's cash dividends on common stock in recent three years (including the Reporting Period)

Unit:  
Yuan

Year	Cash dividend (tax inclusive)	Net profit attributable to common shareholders of the listed company in the consolidated statement in the year	Ratio of cash dividend to net profit attributable to common shareholders of the listed company in the consolidated statement	Cash dividend in other ways (such as share buyback)	Ratio of cash dividend in other ways to net profit attributable to common shareholders of the listed company in the consolidated statement	Total cash dividends (including other ways)	Ratio of total cash dividends (including other ways) to net profit attributable to common shareholders of the listed company in the consolidated statement
2019	30,802,962.96	133,427,291.24	23.09%	0.00	0.00%	30,802,962.96	23.09%
2018	0.00	102,530,653.04	0.00%	0.00	0.00%	0.00	0.00%
2017	0.00	62,302,459.69	0.00%	0.00	0.00%	0.00	0.00%

4. The Company was profitable during the Reporting Period and the parent company's net profit available for distribution to common shareholders was positive, but it did not propose a prearranged plan for distribution of cash dividends on common stock

Applicable  Not applicable

## II. Profit distribution and conversion of capital reserve into share capital during the Reporting Period

Applicable  Not applicable

Number of bonus shares per <b>10</b> shares (shares)	0
Dividend per <b>10</b> shares (yuan) (tax inclusive)	0.35
Number of additional shares per <b>10</b> shares (shares)	0
Total share capital as the base in prearranged plan for profit distribution (shares)	880,084,656
Cash dividend (yuan) (tax inclusive)	30,802,962.96
Cash dividend (yuan) in other ways (such as share buyback)	0.00
Total cash dividends (including other ways) (yuan)	30,802,962.96
Distributable profit (yuan)	377,569,059.69
Ratio of total cash dividends (including other ways) to total distributable profit	100%
Cash dividends	
As the Company is in the growth stage and has made a plan for significant capital expenditures, the cash dividends should account for at least 20% of the distributable profit	
Detailed explanation of prearranged plans for profit distribution or conversion of capital reserve into share capital	
<p>In order to offer returns to shareholders and considering its distribution ability and the needs for strategic development, the Company proposed a prearranged plan for profit distribution for 2019 as follows: to use undistributed profit to pay a cash dividend of 0.35 yuan per 10 shares (tax inclusive) based on the total share capital of 880,084,656 shares of the Company to all shareholders, with the total cash dividends to be distributed amounting to 30,802,962.96 yuan (tax inclusive) . After the distribution of the cash dividend, the remaining undistributed profit will be retained for the development of the Company's natural gas business. The Company will not carry out bonus issue and conversion of capital reserve into share capital in 2019 .</p>	

## **Section 9 Directors, supervisors, senior managers and employees**

### **IV. Remuneration for directors, supervisors and senior managers**

#### **1. Procedure and basis for determining the remuneration for directors, supervisors and senior managers**

##### **(1) Procedure for determining the remuneration for directors, supervisors and senior managers**

The Company's general meeting of shareholders and Board of Directors formulated the Management Measures on Remuneration for the Ninth Directors and Supervisors and the Management Measures on Remuneration and Appraisal for the Ninth Senior Managers. The remuneration of directors and supervisors is linked to the contributions they make to the Company, and the remuneration of senior managers is linked to performance appraisal. Short- and long term incentives are combined. The Remuneration and Appraisal Committee of the Company's Board of Directors is responsible for the appraisal and remuneration determination of directors and senior managers, and reports to the Board of Directors for deliberation and public disclosure; The Company's Board of Supervisors is responsible for the appraisal and remuneration determination of supervisors, and makes public disclosure.

##### **(2) Basis for determining the remuneration for directors, supervisors and senior managers**

The remuneration plan for directors and supervisors was developed based on Management Measures on Remuneration for the Ninth Directors and Supervisors that was approved at the 2017 Annual General Meeting, and the remuneration plan for senior managers was based on the Management Measures on Remuneration and Appraisal for the Ninth Senior Managers (temporarily) passed at the fifth meeting of the ninth Board of Directors.

## 2. Remuneration for the Company's directors, supervisors and senior managers during the Reporting Period

Unit: 10,000 Yuan

Name	Title	Gender	Age	Employment status	Total pre-tax compensation received from the Company	Whether he/she gets paid by affiliates of the Company
Wang Peng	Chairman	Male	62	Incumbent	244.62	No
Wang Jian	Vice Chairman	Male	64	Incumbent	7	Yes
Du Yihong	Director, CEO and Board Secretary	Male	44	Incumbent	130.66	No
Zang Qiwen	Director	Female	65	Incumbent	4	Yes
Ma Xiang	Director	Male	49	Incumbent	4	Yes
Li Shouqing	Director and Chief Accountant	Female	48	Incumbent	57.66	No
Tian Guanshan	Independent director	Male	56	Incumbent	12	No

Zhu Long	Independent director	Male	65	Incumbent	12	No
Zhang Yufeng	Independent director	Male	56	Incumbent	12	No
Zhang Shuming	Independent director	Male	53	Incumbent	12	No
Meng Lian	Chief supervisor	Female	54	Incumbent	78.66	No
Liu Zhiqiang	Deputy chief supervisor	Male	58	Incumbent	21.56	No
Zhou Lijie	Supervisor	Female	45	Incumbent	4	Yes
Zhang Zhongli	Supervisor	Male	51	Incumbent	17.31	No
Wang Jian	Supervisor	Female	32	Incumbent	4	Yes
Sun Buwu	Vice president	Male	55	Incumbent	100.66	No
Wang Shiming	Vice president	Male	52	Incumbent	55.52	No
Wang Youyin	Vice president	Male	49	Incumbent	205.67	No
Total	--	--	--	--	<b>983.32</b>	--

Notes: ① The above remuneration includes the 2019 rewards given during the Reporting Period;

② The remuneration of external directors, supervisors and independent directors of the Company is the 2019 remuneration paid during the Reporting Period.

3. Equity incentives granted to the Company's directors and senior managers during the Reporting Period

Applicable  Not applicable



**V. Employees of the Company**

## 1. Number, composition and education level of employees

Number of in-service employees in the parent company (persons)	90
Number of in-service employees in the major subsidiaries (persons)	2,031
Total number of in-service employees (persons)	2,121
Total number of salaried employees in the current period (persons)	2,121
Number of retired employees whose expenses are borne by the parent company and major subsidiaries (persons)	46
Composition of employees	
Employees by profession	Number of employees by profession (persons)

Production staff	1,273
Salespersons	151
Technicians	158
Financial staff	113
Administrative staff	426
Total	2,121
Education level	
Types of education levels	Number (persons)
Master's degree	33
Bachelor's degree	369
Associate degree	651
Senior high school and below	1,068
Total	2,121

## 2. Remuneration policy

The Company has established a compensation management system that meets the requirements of listed companies, in a bid to better give play to the role of the compensation mechanism as incentive, further arouse the working enthusiasm of employees, and promote its healthy and sustainable development. It formulated compensation management measures in accordance with the relevant national laws and regulations, labour and personnel management policies and the Company's articles of association, and based on the local and industrial salary level and the actual situation of the Company. The Company determines employees' compensation standards based on job value, and adheres to performance-oriented and ability-oriented principles, giving reasonable returns to excellent employees; All employees shall enjoy fair and consistent treatment, without gender discrimination; At the same time, the Company is committed to attracting and retaining outstanding talents by offering them competitive salaries.

### 3. Training programme

The Company actively implements the talent concept of "everyone is a talent, and talent is capital" and always gives priorities to the training and development of talents. The Company implemented the general manager trainee development programme and pushed forward with the development plans for young employees, in order to train talents. It tapped resources from internal and external training platforms, gave full play to the advantages of the online training platform, and flexibly organised talent training and examination. Actions were taken to create a practical and convenient learning and improvement environment for employees to promote the stable, rapid and healthy development of the Company.

### 4. Labour outsourcing

Applicable  Not applicable

**C. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY FOR THE YEAR ENDED 31 DECEMBER 2020**

**Section IV - Management Discussion and Analysis**

**I. Overview**

In 2020, under the leadership of the Board of Directors and the supervision of the Supervisory Committee, the Company, in the face of the serious impact brought by the COVID-19 pandemic and the economic and industrial downturn, actively assumed its social responsibility to ensure the safe and stable supply of energy on the one hand, and actively responded to the severe operating situation on the other hand, and innovated with courage to thoroughly implement the concept of safe development, increase market expansion, strengthen internal control supervision, consolidate basic management, vigorously dispose of inefficient asset and further improve the quality of assets, helping the Company achieve good results against the headwind.

In 2020, the Company achieved operating revenue of RMB4,596 million and net profit attributable to the parent company of RMB142 million, representing a year-on-year increase of 6.66% in net profit.

1. During the reporting period, the Company's principal activities overcame the tremendous impact of the COVID-19 pandemic in the first quarter, and started to further develop the market in a timely manner and launched the "N" business campaign, and made efforts to reduce customer costs through multiple measures. The Company's gas consumer households have reached more than 1.1 million with the gas volume sold reaching a record high. In addition, the operating results of the Company's subsidiary have improved significantly after deducting the factors, such as disposal of assets.

(1) During the reporting period, the Company held on to the market leader, further liberated its mind and vigorously promoted its market development through flexible and diversified development strategies and measures such as market strategy research, experience sharing and market development competition, and achieved fruitful results.

(2) During the reporting period, the Company adhered to its innovative philosophy, pushed ahead with the establishment of a value-added business platform by relying on its natural gas business, rapidly deployed its "N" business model, accelerated the pace of its strategic transformation into a "lifestyle service provider", and stimulated a new momentum in the Company's development.

(3) During the reporting period, the company vigorously advocated and promoted the spirit of “craftsmen”, and through activities such as technological competitions, “Shengli Craftsmanship” and “Shengli Craftsman Star”, the company provided continuous impetus to consolidate the basic management of the company and promote the company towards an outstanding enterprise with first-class management, efficiency and talents.

(4) During the reporting period, the Company accelerated its transformation to an IT-based smart business, and continuously improved the efficiency and quality of corporate management with technologies.

(5) During the reporting period, the Company’s equipment material manufacturing sector grasped market opportunities, vigorously explored markets in various fields such as water pipes, strengthened cash flow control, and innovated business categories and new markets, resulting in significant improvement in operating results.

2. During the reporting period, the Company actively promoted the claimation and reserving of the outstanding land belonging to Qingdao Shengtong Coastal Real Estate Development. Co., Ltd., an investee of the Company. As at the date of this report, the Company has realised income from the reclaimed land, which will provide new impetus to the development of the Company.

3. During the reporting period, the Company’s financial system actively promoted the integration of business and finance processes and optimized the asset structure, which played an important role in serving the Company’s production and operation.

4. During the reporting period, the Company actively connected with the competent authorities and flexibly utilized the pandemic-specific policy, especially the low-interest financing, tax reduction and other supportive policies, to promote the healthy development of the Company’s various segments, with remarkable results achieved.

5. During the reporting period, the Company’s team and cultural development reached a new level by actively implementing employee care activities, carrying out various forms of team building and educational activities with rich contents, making the morale of the Company’s employees higher, further enhancing the cohesion and happiness, and creating a positive atmosphere of uprightness and positivity in the Company.

The decrease in sales revenue for the reporting period was mainly due to the Company's strategic reduction in the scale of its non-principal trading business. The decrease in net profit net of non-principal business was mainly due to the inclusion of fair value changes in non-recurring accounts as a result of the Company's adjustment to the equity transaction plan in respect of the Wenzhou Company.

## II. Principal Activities Analysis

### 1. Overview

Is it the same as the summary disclosed in the Management Discussion and Analysis section

Yes  No

See "I. Overview" in the "Discussion and Analysis of Operations".

### 2. Income and Costs

#### (1) Operating Income Components

Unit: Yuan

	2020		2019		YoY increase/decrease (%)
	Amount	Percentage of operating income (%)	Amount	Percentage of operating income (%)	
Total operating income	4,596,360,862.81	100	5,348,283,403.38	100	-14.06
<b>By segment</b>					
Natural Gas Segment	3,537,375,023.35	76.96	3,645,827,998.89	68.17	-2.97
Where: Natural gas terminal sales business	2,627,481,131.52	57.16	2,745,978,088.08	51.34	-4.32
Natural gas trading business	909,893,891.83	19.80	899,849,910.81	16.83	1.12
Equipment material manufacturing segment	1,047,392,884.39	22.79	923,542,139.81	17.27	13.41
Oil trading business	9,066,401.71	0.20	775,097,930.78	14.49	-98.83
Other	2,526,553.36	0.05	3,815,333.90	0.07	-33.78

By product					
Natural Gas Segment	3,537,375,023.35	76.96	3,645,827,998.89	68.17	-2.97
Where: Natural gas terminal sales business	2,627,481,131.52	57.16	2,745,978,088.08	51.34	-4.32
Natural gas trading business	909,893,891.83	19.80	899,849,910.81	16.83	1.12
Equipment material manufacturing segment	1,047,392,884.39	22.79	923,542,139.81	17.27	13.41
Oil trading business	9,066,401.71	0.20	775,097,930.78	14.49	-98.83
Other	2,526,553.36	0.05	3,815,333.90	0.07	-33.78
By region					
Shandong Region	2,777,982,234.92	60.44	3,549,718,618.41	66.37	-21.74
Shaanxi	57,114,508.71	1.24	59,712,726.99	1.12	-4.35
Liaoning	14,227,354.82	0.31	18,045,201.70	0.34	-21.16
Hebei	786,780,223.21	17.12	874,798,763.34	16.36	-10.06
Guangxi	101,671,956.34	2.21	37,604,727.10	0.70	170.37
Henan	347,083,415.95	7.55	319,397,252.02	5.97	8.67
Zhejiang	158,576,926.77	3.45	143,417,779.50	2.68	10.57
Jiangxi	59,099,452.09	1.29	48,200,138.34	0.90	22.61
Chongqing	293,824,790.00	6.39	297,388,195.98	5.56	-1.20

(2) Segments, products or regions accounting for more than 10% of the Company's operating income or operating profit

Applicable  Not applicable

Unit: Yuan

	Operating Income	Operating Costs	Gross margin (%)	Change in Operating Income YoY (%)	Change in Operating Costs YoY (%)	Up or down in gross margin compared to the same period of the previous year
<b>By segment</b>						
Natural Gas Segment	3,537,375,023.35	2,877,310,194.35	18.66	-2.97	-4.12	Up by 0.97%
Where: Natural gas terminal sales business	2,627,481,131.52	1,973,120,861.75	24.90	-4.32	-6.56	Up by 1.81%
Natural gas trading business	909,893,891.83	904,189,332.60	0.63	1.12	1.69	Down by 0.56%
Equipment material manufacturing segment	1,047,392,884.39	933,552,554.67	10.87	13.41	18.42	Down by 3.77%
Oil trading business	9,066,401.71	6,836,254.67	24.60	-98.83	-99.09	Up by 21.53%
Other	2,526,553.36	488,551.94	80.66	-33.78	-74.45	Up by 30.78%
<b>By product</b>						
Natural Gas Segment	3,537,375,023.35	2,877,310,194.35	18.66	-2.97	-4.12	Up by 0.97%
Where: Natural gas terminal sales business	2,627,481,131.52	1,973,120,861.75	24.90	-4.32	-6.56	Up by 1.81%
Natural gas trading business	909,893,891.83	904,189,332.60	0.63	1.12	1.69	Down by 0.56%
Equipment material manufacturing segment	1,047,392,884.39	933,552,554.67	10.87	13.41	18.42	Down by 3.77%
Oil trading business	9,066,401.71	6,836,254.67	24.60	-98.83	-99.09	Up by 21.53%
Other	2,526,553.36	488,551.94	80.66	-33.78	-74.45	Up by 30.78%



By region						
Shandong Region	2,777,982,234.92	2,454,972,529.16	11.63	-21.74	-22.88	Up by 1.31%
Shaanxi	57,114,508.71	51,707,663.68	9.47	-4.35	0.55	Down by 4.42%
Liaoning	14,227,354.82	10,192,153.65	28.36	-21.16	-22.76	Up by 1.49%
Hebei	786,780,223.21	617,467,937.11	21.52	-10.06	-13.04	Up by 2.68%
Guangxi	101,671,956.34	88,133,328.92	13.32	170.37	261.96	Down by 21.93%
Henan	347,083,415.95	275,527,512.14	20.62	8.67	9.64	Down by 0.70%
Zhejiang	158,576,926.77	114,216,863.87	27.97	10.57	12.68	Down by 1.35%
Jiangxi	59,099,452.09	39,085,918.23	33.86	22.61	32.07	Down by 4.74%
Chongqing	293,824,790.00	166,883,842.16	43.20	-1.20	-6.15	Up by 3.00%

In the event that the Company's statistics of principal activities are adjusted for the reporting period, the Company's adjusted statistics of principal activities for the most recent (1) year

Applicable  Not applicable

(3) Whether the Company's revenue from sales of goods is greater than its revenue from rendering of labour services

Yes  No

Unit: Yuan

By Sector	2020	2019	YoY increase/decrease (%)
Natural gas terminal sales business	2,627,481,131.52	2,745,978,088.08	-4.32
Natural gas trading business	909,893,891.83	899,849,910.81	1.12
Equipment material manufacturing segment	1,047,392,884.39	923,542,139.81	13.41
Oil trading business	9,066,401.71	775,097,930.78	-98.83
Other	2,526,553.36	3,815,333.9	-33.78

► Reasons for changes of more than 30% YoY in the relevant stats

Applicable  Not applicable

The decrease in operating income from oil trading segment as compared to the corresponding period of the previous year was mainly due to the reduction in the scale of operation of the Company's trading segments with low gross margin in accordance with the strategic arrangement.

(4) Fulfillment of material sales contracts entered into by the Company up to the period under review

Applicable  Not applicable

(5) Operating cost components

(i) By Sector

Unit: Yuan

By Sector	2020		2019		YoY increase/ decrease (%)
	Amount	Percentage of operating costs (%)	Amount	Percentage of operating costs (%)	
Natural Gas Segment	2,877,310,194.35	75.36	3,000,932,940.20	66.06	-4.12
Where: Natural gas terminal sales business	1,973,120,861.75	51.68	2,111,735,441.04	46.49	6.56
Natural gas trading business	904,189,332.60	23.68	889,197,499.16	19.58	1.69
Equipment material manufacturing segment	933,552,747.96	24.45	788,335,532.34	17.35	18.42
Oil trading business	6,836,254.67	0.18	751,331,110.30	16.54	-99.09
Other	488,551.94	0.01	1,912,201.01	0.04	-74.45

(ii) By Product

Unit: Yuan

By Sector	2020		2019		YoY increase/decrease (%)
	Amount	Percentage of operating costs (%)	Amount	Percentage of operating costs (%)	
Natural Gas Segment	2,877,310,194.35	75.36	3,000,932,940.20	66.06	-4.12
Where: Natural gas terminal sales business	1,973,120,861.75	51.68	2,111,735,441.04	46.49	6.56
Natural gas trading business	904,189,332.60	23.68	889,197,499.16	19.58	1.69
Equipment material manufacturing segment	933,552,747.96	24.45	788,335,532.34	17.35	18.42
Oil trading business	6,836,254.67	0.18	751,331,110.30	16.54	-99.09
Other	488,551.94	0.01	1,912,201.01	0.04	-74.45

►Explanation

There are no other explanation.

(6) Whether there was a change in the scope of consolidation during the reporting period

Yes  No

For details of the changes in the scope of consolidation during the reporting period, please refer to “Section V. VIII. Changes in the scope of consolidation as compared to the financial statements of the previous year” in this report.

(7) Significant changes or adjustments in the Company’s business, products or services during the reporting period

Applicable  Not applicable

(8) Major Customers and Major Suppliers

(i) Major Customers

<b>Total sales to top five customers (RMB Yuan)</b>	873,071,521.22
<b>Aggregate sales to top five customers as a percentage of total annual sales (%)</b>	12.70
<b>Percentage of sales to connected parties in the sales to top five customers as a percentage of total annual sales (%)</b>	0.00

Information on top 5 customers

SN	Customer Name	Sales (RMB Yuan)	Percentage of total annual sales (%)
1	Shanghai Junxin Petrochemical Co. Ltd.	353,868,025.92	5.15
2	China National Supply and Marketing Oil Co., Ltd.	183,530,983.01	2.67
3	Linyi Yude Energy Co., Ltd.	141,829,849.50	2.06
4	Qingdao Xin’ao Gas Co., Ltd.	109,153,634.09	1.59
5	Inner Mongolia Zhanjia Energy Co., Ltd.	84,689,028.70	1.23
<b>Total</b>	-	<b>873,071,521.22</b>	<b>12.70</b>

Other explanations in relation to major customers

Applicable  Not applicable

The Company does not have any connected relationship with its top five customers as stipulated in the Rules Governing the Listing of Stocks.

## ② Major suppliers

Total purchase from top 5 suppliers (RMB Yuan)	1,592,557,584.48
Aggregate purchase from top five suppliers as a percentage of total annual purchase (%)	26.14
Purchase from connected parties in top five suppliers as a percentage of total annual purchase (%)	0.00

Information on top 5 suppliers

SN	Supplier Name	Purchase (RMB Yuan)	Percentage of total annual purchase (%)
1	Panjin Branch, Liaoning Liaohe Petroleum Co., Ltd.	480,614,325.68	7.89
2	PetroChina Compay Limited Hebei Natural Gas Sales Branch	433,272,106.44	7.11
3	North China Natural Gas Sales Office, Natural Gas Branch, PetroChina Compay Limited	356,261,893.28	5.85
4	Nanjing Haitai Petrochemical Sales Co. Ltd.	177,005,239.74	2.91
5	Sinopec Shanghai Petrochemical Co., Ltd.	145,404,019.34	2.39
<b>Total</b>	-	<b>1,592,557,584.48</b>	<b>26.14</b>

Other explanations in relation to major suppliers

√ Applicable □ Not applicable

The Company does not have any connected relationship with its top five suppliers as stipulated in the Rules Governing the Listing of Stocks.

## 3. Expenses

Unit: Yuan

	2020	2019	YoY increase/decrease (%)
Cost of Sales	225,501,617.90	299,122,038.39	-24.61
Administrative expenses	136,118,169.43	148,528,785.96	-8.36
Financial expenses	87,151,318.74	78,185,696.96	11.47
R&D expenses	28,135,939.75	19,279,557.41	45.94
Operating Income	4,596,360,862.81	5,348,283,403.38	-14.06
Operating Costs	3,818,187,748.92	4,542,511,783.85	-15.95
Business tax and surcharges	13,422,824.19	14,531,957.39	-7.63

Credit impairment loss	-3,362,290.95	478,607.70	802.52
Asset impairment loss	-58,897,201.05	-18,705,697.80	214.86
Other income	8,411,707.55	4,183,605.22	101.06
Investment income	28,219,296.81	58,268,685.86	-51.57
Gains on Disposal of Assets	7,269,121.20	718,169.60	912.17
Non-operating income	3,512,401.35	4,901,006.17	-28.33
Non-operating expenses	10,474,874.76	2,999,378.59	249.23
Income tax expenses	81,916,930.90	84,128,378.82	-2.63
Total profit	297,553,166.03	288,082,254.50	3.29
Net profit attributable to the shareholders of the listed company	142,314,776.28	133,427,291.24	6.66
Net profit attributable to the shareholders of the listed company after deducting the non-recurring profits and losses	96,600,332.66	124,438,974.19	-22.37

► Description of material changes:

(1) The decrease in selling expenses as compared to the same period last year was mainly due to the implementation of the new revenue standard where contract-related fulfillment costs are included in operating costs.

(2) The increase in research and development expenses as compared to the corresponding period of the previous year was mainly due to the increased investment in research and development by the Company's natural gas segment and equipment material manufacturing segment.

(3) The decrease in operating income and operating costs as compared to the corresponding period of the previous year was mainly due to the decrease in revenue from oil trading segment for the period as compared to the corresponding period of the previous year and the effect of the implementation of the new revenue standard.

(4) The increase in impairment loss on assets as compared to the corresponding period of the previous year was mainly due to the increase in provision for impairment of goodwill as compared to the previous period.

(5) The increase in other income as compared to the previous period was mainly due to the increase in the employment support allowance and tax relief received in the current period as compared to the previous period.

(6) The decrease in investment income as compared to the corresponding period of the previous year was mainly due to the decrease in income from investees.

(7) The increase in gain on disposal of assets as compared to the corresponding period of the previous year was mainly due to the increase in gain on disposal of fixed assets as a result of the relocation of pipelines of the Company's natural gas segment during the period.

(8) The increase in non-operating expenses as compared to the corresponding period of the previous year was mainly due to the increase in the loss on retirement of non-current assets of the Company during the current period.

(9) The decrease in net profit after non-recurring gain or loss attributable to shareholders of the listed company as compared to the previous period was mainly due to the adjustment of the proposed transaction of Wenzhou Shengli Gangye Natural Gas Co., Ltd. during the period, which resulted in an increase of RMB40,200,000 in the gain on change in fair value and a provision for impairment of goodwill of RMB35,449,100 in Wenzhou Company, and an increase of RMB4,750,900 in the net profit of Shengli Shares after offsetting in the current period. The net profit calculated after non-recurring gain or loss was lower than that of the same period of the previous year because the gain on fair value change was a non-recurring gain or loss event.

#### 4. Research and development inputs

Applicable  Not applicable

##### (1) Information on the Company's R&D projects

(i) Shandong Shengbang Plastics Co., Ltd., a subsidiary of the Company, had 8 research and development projects as follows:

I. Study on integrated system of marine pasture, which was completed during the reporting period.

II. Development of automatic bag opening device for raw materials, which was completed during the reporting period.

III. Development of a novel process thermal jacket, which was completed during the reporting period.

IV. Development of heat resistant polyethylene direct buried heating pipes, which was completed during the reporting period.

V. The development of detectable polyethylene pipes, which was 60% complete during the reporting period.

VI. Research and development of modified polypropylene cable conduits for trenchless cable, which was 80% complete during the reporting period.

VII. Development of ultrasonic welding equipment, which was 50% complete during the reporting period.

VIII. The development of proprietary materials for medium pressure pipelines, which was 60% complete during the reporting period.

(ii) Dong'a Dongtai Gas Co., Ltd., a subsidiary of the Company, had 2 research and development projects as follows:

- I. Research on anti-corrosion technology of high-efficiency and low-cost gas pipeline, which was initiated, closed and put into operation during the reporting period.
- II. Research on optimal operation technology of regional natural gas pipeline network, which was initiated, closed and put into operation during the reporting period.

(iii) Bazhou Shengli Shunda Gas Co., Ltd., a subsidiary of the Company, had 5 research and development projects as follows:

I. Research on integrated molding technology of valve well, which was completed during the reporting period.

II. Research on unattended facilities (Gate Stations, Pressure Regulation Stations), which was completed during the reporting period.

III. Research on a smart information platform for urban gas service, which was 70% complete during the reporting period.

IV. Research on optimization of design scheme of low-pressure gas pipeline network in urban areas, which was still the plan testing stage of the reporting period.

V. Reinovation of natural gas compressor for performance improvement, which was completed during the reporting period.

(iv) Wenzhou Shengli Gangyao Natural Gas Co., Ltd., a subsidiary of the Company, had 5 research and development projects as follows:

I. T-type three-way valve specially for gas pipeline, which was in the development stage during the reporting period.

II. Natural gas pipeline cut-off and blockage device, which was in the development stage during the reporting period.

III. Connection structure for buried gas pipelines, which was in the development stage during the reporting period.

IV. Pipeline protection devices in the gas pipeline network, which was in the development stage during the reporting period.

V. Natural gas transportation tanks for natural gas storage and transportation, which was in the development stage during the reporting period.

## (2) R&amp;D Inputs

	2020	2019	Change in Percentage
Number of R&D staff (persons)	95	26	265.38
Percentage of R&D staff	4.59%	1.23%	3.36%
R&D input in Amount (RMB Yuan)	28,733,981.02	19,279,557.41	49.04%
R&D input as a percentage of operating income	0.63%	0.36%	0.27%
Amount of R&D inputs capitalized (RMB Yuan)	598,041.27	0.00	100.00%
Proportion of capitalization of R&D investment to total	2.08%	0.00%	2.08%

(3) Reasons for the significant change in total R&D investment as a percentage of operating income as compared to the previous year

- Applicable  Not applicable

(4) Reasons for the significant change in the capitalisation rate of R&D inputs and its justification

- Applicable  Not applicable

## 5. Cash flow

Unit: Yuan

Item	2020	2019	YoY increase/decrease (%)
Sub-total of cash inflows from operating activities	5,111,422,756.67	6,119,056,945.24	-16.47
Sub-total of cash outflows from operating activities	4,661,642,220.04	5,528,259,281.21	-15.68
Net cash flows from operating activities	449,780,536.63	590,797,664.03	-23.87
Sub-total of cash inflows from investing activities	20,482,908.39	36,776,183.06	-44.30
Sub-total of cash outflows from investing activities	577,598,073.68	356,594,158.80	61.98
Net cash flows from investing activities	-557,115,165.29	-319,817,975.74	-74.20
Sub-total of cash inflow from financing activities	2,073,155,946.19	1,427,440,000.00	45.24
Sub-total of cash outflow from financing activities	2,061,056,932.47	1,702,345,696.87	21.07
Net cash flows from financing activities	12,099,013.72	-274,905,696.87	104.40
Net increase in cash and cash equivalents	-95,235,614.94	-3,925,691.82	-2,325.96



(1) Description of the main drivers affecting the significant year-on-year change in the relevant stats

Applicable  Not applicable

(i) The decrease in net cash flows from operating activities was mainly due to the decrease in the Company's operating income and the decrease in advance receipts for the period compared to the same period of the previous year.

(ii) The decrease in net cash flows from investing activities as compared to the corresponding period of the previous year was mainly due to the increase in payments for the construction of pipeline network of the natural gas segment and the increase in payments for the purchase of minority interests as compared to the corresponding period of the previous year.

(iii) The increase in net cash flows from financing activities as compared to the corresponding period of the previous year was mainly due to the increase in the Company's banking facilities during the period.

(2) Description of the reasons for the significant difference between the net cash flows from operating activities and the net profit for the year for the reporting period

Applicable  Not applicable

The difference between the net profit of RMB215,636,200 and the net cash flow from operating activities of RMB449,780,500 for the year is mainly due to: the costs and expenses included items that don't involve payments in cash, respectively impairment losses on assets and credit impairment losses of RMB62,259,500, depreciation of fixed assets, amortisation of intangible assets and long-term deferred expenses totalling RMB109,224,200, loss on retirement of fixed assets of RMB 6,815,300 and gain on fair value changes of RMB Depreciation of fixed assets, amortisation of intangible assets and long term amortisation charges totalling RMB109,224,200, non-cashable loss on retirement of fixed assets of RMB6,815,300 and gain on change in fair value of RMB35,031,800, financial interest expenses of RMB101,111,300 from financing activities, investment income of RMB28,219,300 from investing activities, increase of RMB2,443,400 in deferred income tax assets, increase of RMB40,654,200 in deferred income tax liabilities, decrease of RMB6,199,100 in inventories , increase of RMB17,388,000 in operating receivables, decrease of RMB1,767,700 in costs charged but not yet paid for the period.

## III. Non-Principal Activities Analysis

√ Applicable □ Not applicable

Unit: Yuan

	Amount	Percentage of total profit (%)	Description of Causes	Sustainable or not
Investment income	28,219,296.81	9.48	Income from long-term equity investments accounted for under the equity method and investment income arising on disposal of equity interests	No
Loss/gain on changes in fair value	35,031,762.00	11.77	Changes in fair value of investment properties and formation of adjusted transaction plan in respect of Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	No
Assets impairment	-58,897,201.05	-19.79	They are mainly provision for impairment of goodwill, provision for impairment of fixed assets and others	No
Non-operating income	3,512,401.35	1.18	They are mainly a government grant recognised for the period.	No
Non-operating expenses	10,474,874.76	3.52	They are mainly expenses for scrap losses, donations, fines and others.	No
Credit impairment loss	-3,362,290.95	-1.13	Provisions are made in accordance with accounting standards.	No
Other income	8,411,707.55	2.83	They are mainly government grants, tax breaks and others.	No
Gains on Disposal of Assets	7,269,121.20	2.44	They are mainly gain on disposal of fixed assets	No

**IV. Analysis of assets and liabilities**

## 1. Significant changes in asset components

The Company will adopt the new revenue standard or the new lease standard for the first time from 2020 and adjust the relevant items in the financial statements at the beginning of the year of adoption

√ Applicable □ Not applicable

Unit: Yuan

	End of 2020		Beginning of 2020		Change in Weights
	Amount	Percentage of total assets (%)	Amount	Percentage of total assets (%)	
Monetary Funds	895,147,268.19	13.26	740,019,460.63	11.37	1.89
Accounts receivable	382,618,983.73	5.67	381,419,644.47	5.86	-0.19
Inventories	407,349,207.60	6.03	413,548,323.42	6.35	-0.32
Investment properties	72,051,318.00	1.07	77,219,556.00	1.19	-0.12
Long-term equity investments	743,201,491.41	11.01	829,037,179.11	12.74	-1.73
Fixed assets	1,791,339,085.32	26.53	1,588,179,807.64	24.40	2.13
Construction in progress (CIP)	178,823,516.53	2.65	215,260,087.13	3.31	-0.66
Short-term borrowings	1,226,664,923.48	18.17	926,639,462.15	14.24	3.93
Long-term borrowings	401,742,500.00	5.95	180,340,000.00	2.77	3.18
Accounts Receivable Financing	48,792,081.24	0.72	45,178,585.31	0.69	0.03
Prepayments	202,844,033.26	3.00	227,028,157.88	3.49	-0.49
Other receivables	277,873,862.66	4.12	179,715,564.40	2.76	1.36
Intangible assets	113,351,820.67	1.68	113,470,265.92	1.74	-0.06
Goodwill	1,241,258,775.22	18.38	1,285,536,270.56	19.75	-1.37
Other non-current assets	38,859,519.75	0.58	50,974,017.17	0.78	-0.20
Deferred tax assets	189,922,772.09	2.81	187,479,371.13	2.88	-0.07
Notes payable	572,500,000.00	8.48	549,620,000.00	8.44	0.04
Accounts Payable	367,541,743.20	5.44	358,084,214.54	5.50	-0.06

Contractual liabilities	587,662,458.51	8.70	633,004,563.60	9.72	-1.02
Employee benefits payable	46,288,468.90	0.69	59,022,364.69	0.91	-0.22
Taxes payable	25,203,550.38	0.37	29,865,709.33	0.46	-0.09
Other payables	83,258,948.77	1.23	156,154,691.29	2.40	-1.17
Non-current liabilities due within one year	241,979,947.66	3.58	242,602,434.38	3.73	-0.15
Long-term payables	148,450,000.00	2.20	348,566,666.67	5.35	-3.15
Deferred tax liabilities	80,910,897.07	1.20	40,256,682.12	0.62	0.58

Description of material changes:

(1) The decrease in the closing balance of financing receivables and accounts receivable as compared to the opening balance of the period was mainly due to the decrease in gas receivables and project installation fees from the Company's natural gas segment as compared to the corresponding period.

(2) The decrease in the closing balance of long-term equity investments as compared to the opening balance of the period was mainly due to the dividend distribution from Qingdao Shengtong Coastal Real Estate Development. Co., Ltd., an investee of the Company.

(3) The increase in the closing balance of fixed assets as compared to the opening balance was mainly due to the addition of natural gas pipeline assets and the transfer of construction in progress by the Company.

(4) The increase in the closing balance of short-term and long-term loans as compared to the opening balance was mainly due to the increase in the scale of the Company's loans during the period.

(5) The increase in the closing balance of other receivables as compared with the opening balance was mainly due to the increase in dividends receivable from Qingdao Shengtong Coastal Real Estate Development. Co., Ltd., an investee of the Company.

(6) The decrease in the closing balance of goodwill as compared to the opening balance of the period was mainly due to the provision for impairment of goodwill during the period.

(7) The decrease in the closing balance of other payables as compared to the opening balance of the period was mainly due to the payment for the transfer of equity in Puyang Boyuan Natural Gas Co., Ltd. during the period.

(8) The decrease in the closing balance of long-term payables as compared to the opening balance of the period was mainly due to the transfer of equity interest in Chongqing Shengbang Gas of RMB88,450,000 and the transfer of equity interest in Wenzhou Shengli Hongyao Natural Gas Co., Ltd. of RMB44,800,000 to non-current liabilities due within one year.

## 2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: Yuan

Item	Opening figure	Loss/gain on changes in fair value for the period	Cumulative fair value changes recognised in equity	Impairment charged in the period	Purchase for the period	Disposal for the period	Other changes	Closing figure
<b>Financial Assets</b>								
1. Financial assets held for trading (excluding derivative financial assets)	--	--	--	--	20,000,000.00	--	--	20,000,000.00
2. Derivative financial assets	--	--	--	--	--	--	--	--
3. Other debt investments	--	--	--	--	--	--	--	--
4. Investment in other equity instruments	71,524,824.79	-19,289,524.88	--	--	--	--	--	52,235,299.91
Subtotal of financial assets	71,524,824.79	-19,289,524.88	--	--	20,000,000.00	--	--	72,235,299.91
Investment properties	77,219,556.00	-5,168,238.00	--	--	--	--	--	72,051,318.00
Productive biological assets	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--
Total of the above	148,744,380.79	-24,457,762.88	--	--	20,000,000.00	--	--	144,286,617.91
Financial liabilities	--	--	--	--	--	--	--	--

For items measured at fair value, their classification, measurement method, impairment provision and accounting among others are clearly stipulated in the Company's internal control systems, such as the Financial Management System, Accounting System and Property Stock Taking Regulations. The leasehold properties on Haikou Road, Qingdao as listed above, a part of the

Company, are measured at fair value in accordance with the Company's accounting policy, of which the fair value was determined with due consideration to the quoted price in the active local real estate trading market and with reference to the appraised price by the real estate appraisal agency.

The Company estimates whether the impact of the above fair value changes on the Company's profit is sustainable or not based on a combination of internal and external factors, but there are a certain risk of uncertainty in real estate market prices due to the national regulation.

▶ Contents of other changes

Applicable  Not applicable

▶ Whether there were significant changes in the measurement nature of major assets of the Company during the reporting period

Yes  No

3. Restricted rights to assets as at the end of the reporting period

For the Company's assets with restricted ownership rights or right to use as of the end of the reporting period, please refer to "V. Notes to the key items of the consolidated financial statements - (56) Assets with restricted ownership rights or right to use" under the Notes to the Financial Statements" section of this report.

**V. Investments**

1. General

Applicable  Not applicable

This Period (RMB)	Previous Year (RMB)	Range of change
140,680,000.00	89,250,000.00	57.62%

2. Significant equity investments acquired during the reporting period

Applicable  Not applicable

3. Significant non-equity investments in progress during the reporting period

Applicable  Not applicable

## 4. Investment in financial assets

## (1) Securities Investment

Applicable  Not applicable

Unit: Yuan

Type of Securities	Securities Code	Stock Short Name	Initial investment cost	Accounting and Measurement Model	Opening carrying amount	Loss/gain on changes in fair value for the period	Cumulative fair value changes recognised in equity	Purchase for the period	Disposal for the period	Profit or loss for the period	Closing carrying amount	Accounts	Source of funds
Domestic and foreign shares	002948	Bank of Qingdao	162,708.00	Measured at Fair Value	498,288.78	-838.87	334,741.91	-	-	-	497,449.91	Other equity instrument investments	Self-financing
Total			162,708.00	-	498,288.78	-838.87	334,741.91	-	-	-	497,449.91	-	-
Disclosure Date of Approval Announcement from Board of Directors on Investment in Securities					Not applicable								
Disclosure Date of Approval Announcement from Shareholders' Meeting on Investment in Securities					Not applicable								

## (2) Derivatives investment

Applicable  Not applicable

The Company had no derivative investments in the reporting period.

## 5. Use of proceeds

Applicable  Not applicable

The Company has no use of proceeds during the reporting period.

**VI. Material disposal of assets and equity interests**

## 1. Disposal of major assets

Applicable  Not applicable

The Company did not dispose of any major assets during the reporting period.

## 2. Disposal of material equity interests

Applicable  Not applicable

**VII. Analysis of Major Subsidiaries and Investees**

Applicable  Not applicable

## 1. Major subsidiaries and investees contributing more than 10% of net profit to the Company

Unit: Yuan

Company name	Company Type	Principal activities	Registered Capital	Total assets	Net Assets	Operating Income	Operating profit	Net profit
Chongqing Shengbang Gas Co., Ltd.	Subsidiary	Construction of natural gas and gas equipment installation works; Sales and repair of gas appliances; Sales of wall-mounted stoves and gas-fired equipment; Retail of Compressed Natural Gas	280,000,000.00	415,897,418.83	280,853,621.01	324,885,645.80	79,816,974.70	66,524,674.59
Bazhou Shengli Shunda Gas Co., Ltd.	Subsidiary	Natural gas business and pipeline distribution; business administration services; installation and maintenance of gas-fired appliance; Wholesale and retail of gas appliances, gas transmission equipment and materials; Lease of self-owned equipment, buildings and premises; Natural gas technical consulting services and natural gas technology development and utilization; Sales of building materials and accessories, electrical and mechanical equipment	130,000,000.00	693,819,735.12	240,936,705.56	676,026,461.01	89,120,052.59	67,633,302.62
Puyang Boyuan Natural Gas Co., Ltd.	Subsidiary	Natural gas, stoves and accessories, heating equipment, sales	24,110,000.00	177,973,660.52	92,571,340.81	249,701,508.49	31,623,250.18	24,388,055.32
Shandong Shengbang Plastic Co., Ltd.	Subsidiary	Manufacturing, research and sale of plastic products	100,000,000.00	603,691,184.81	205,576,345.87	625,596,633.27	43,879,589.55	38,844,286.61
Zibo Lvchuan Gas Co., Ltd.	Subsidiary	Sales of piped natural gas; Construction of urban gas works, production and sale of kitchenware, sale of household appliances, gas appliances, hardware products, plastic products, pipes, chemical products (excluding dangerous and precursor chemicals), installation and maintenance of gas-fired appliances (excluding special equipment), construction of pipeline networks (excluding pressure pipelines)	45,000,000.00	301,047,239.64	137,966,587.22	353,597,274.98	42,598,483.36	30,710,799.72



Dong'a Dongtai Gas Co., Ltd.	Subsidiary	Natural gas sales and installation of supporting facilities	10,000,000.00	308,701,866.32	144,870,739.61	202,858,713.59	14,996,012.26	8,212,443.08
Shandong Huasheng Energy Co., Ltd.	Subsidiary	Investment, development and utilization of liquefied natural gas projects and installation of related equipment	100,000,000.00	187,979,708.01	-1,162,049.46	55,045,675.11	-24,722,536.10	-24,615,281.87
Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	Subsidiary	Investment, development and operation in relation to piped gas; Sale of liquefied natural gas, pipelines and accessories. Sales, installation and repair of natural gas equipment, electrical and mechanical equipment, electronic monitoring equipment, heating equipment, gas appliances and parts; Sales and installation of smart home appliances and kitchen and bathroom equipment; Natural Gas Technical Consulting Services	60,000,000.00	201,861,132.90	91,689,196.71	164,583,328.42	24,830,645.38	19,150,820.36
Shandong Shengli Bioengineering Co., Ltd.	Investee	Production and sales of premixes (flavomycin fermentation, salinomycin fermentation) and APIs (ivermectin), monensin premixes (antibiotic fermentation), and non-sterile APIs (tiamulin fumarate)	200,000,000.00	820,677,385.58	465,724,226.53	513,943,604.58	47,525,342.27	40,404,807.30

## 2. Acquisitions and disposals of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall operations and results
Weihai Runli Energy Co., Ltd.	Cancellation	In order to speed up the development of the principal activities and divest itself of its non-principal business, the Company performed the decision-making procedure to dispose of the subsidiary during the reporting period (it was not required to be disclosed under the Rules Governing the Listing of Stocks). The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Zibo Lvchuan Ruyi Gas Safety Technology Co., Ltd.	Incorporation	The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Wenzhou Shengyang Smart Technology Co., Ltd.	Incorporation	The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Chongqing Libang Construction Labor Service Co., Ltd.	Incorporation	The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Dong'a County Ruitai Trade Co., Ltd.	Incorporation	The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Puyang Boyuan Energy Technology Co., Ltd.	Incorporation	The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Puyang Shengli Clean Energy Co., Ltd.	Incorporation	The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.
Anyang Beisheng New Energy Development Co., Ltd.	Incorporation	The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.

## 3. Description of Major Subsidiaries and Investees

There were no matters that need to be stated in respect of the Company's subsidiaries during the reporting period.

**VIII. Structured entities under the control of the company**

- Applicable v Not applicable

**IX. Prospects****1. Competitive landscape and development trends in the industry**

During the “14th Five-Year Plan” period, China’s natural gas consumption is expected to continue to gain momentum.

In 2021, there will be both competition and cooperation between the upstream and downstream natural gas sectors. Upstream enterprises will carry the advantage of gas sources to further extend downstream, while competition among upstream enterprises is also increasing, and downstream enterprises will cooperate more closely with downstream enterprises in the availability of gas sources. The Government will further promote market-oriented reforms to strengthen regulation while promoting free competition.

**2. Development Strategy**

The Company is currently focusing on the clean energy business represented by natural gas. For this segment, the Company will promote the development of natural gas business with internationalised and industry chain-oriented thinking, expand and strengthen its value-added business through high volume trading and circulation, and follow up on the research of clean and renewable energy such as hydrogen energy and marine energy, and push forward from a traditional single energy service provider to an integrated energy service provider.

The Company will pursue its strategic development efforts under the decision and leadership of its shareholders’ meeting and Board of Directors.

**3. Business Plan**

For the natural gas segment, the Company will do a good job of business innovation and development with global vision and the industry chain-oriented and high volume trade-oriented thinking from the perspective of both the upstream and downstream of the industry; The Company will make full use of internal and external resources, including equipment and facilities, gas sources, customers and peer companies to promote business synergy and sharing, accelerate the pace of reform and management improvement, and maximize the use of resources and maximize benefits; the Company will accelerate the development of business innovation in the post-coal-to-gas era and create new profit growth points in the future through the “N” business model. The Company will achieve stable and sustainable development with a combination of measures.

For the equipment materials manufacturing segment, we will actively develop the water pipe market in addition to our traditional gas pipe market, actively expand into other markets and fields with similar technologies, increase the extension and innovate along the industrial chain, and expand into downstream fields with higher added value.

#### 4. Company Supply and Demand Plan

In 2021, the Company will establish a capital supply and demand plan that matches its development, develop multiple financing channels in addition to its own capital, optimize its financing structure and reduce unit finance costs.

#### 5. Possible risks and counter measures

(1) Risks for the natural gas segment mainly lies with direct supply from upstream enterprises, industry policy reforms and fluctuations in natural gas prices, which bring uncertainties to the earnings from the Company's principal activities.

##### Counter Measures:

First, the Company will further improve the service and brand, launch marketing campaigns, solidify fundamental management, focus on services and build up a high protective barrier around direct supply;

Second, the Company will further enhance its ability to obtain low-cost gas sources, and reduce the cost of gas sources through collaboration with the upstream, the high volume trade campaign along the industry chain, as well as strengthened cooperation with CNPC, CNOOC, Sinopec and National Pipeline Company;

Third, the Company will promote business innovation, cultivate new profit growth points through businesses derived from our principal activities, improve our integrated service capabilities and make full use of existing market resources to enhance economies of scale;

Fourthly, the Company will seriously study the industry policies and adjust our operation and services in accordance with the changes in the policies, so as to maintain the compliant and regulated operation.

(2) Risks in the equipment material manufacturing segment are mainly structural overcapacity and raw material price fluctuations in the industry.

##### Counter Measures:

First, the Company will make full use of the comprehensive advantages of brand, quality, technology, further improve brand awareness, and spend more efforts in developing new

customers on the basis of maintaining good relationships with old customers;

Second, the Company will make use of our technological advantages to expand new businesses, develop new businesses including water supply and drainage pipes, PE pipe fittings, heat pipes and marine pasture net boxes, actively participate in the extension along the downstream industrial chain and improve the efficiency and added value of the equipment manufacturing segment.

Third, the Company will increase industry tracking and research, further improve the research and judgment on the price fluctuations of upstream raw materials, and avoid operating risks through the sales-determined procurement model.

**X. Research, communication, and interviews received and other activities**

1. Registration form for receiving research, communication and interviews during the reporting period

Applicable  Not applicable

The Company has not received any research, communication or interview activities during the reporting period.

2. During the reporting period, the Company also received numerous [irm.cninfo.com.cn](http://irm.cninfo.com.cn) platform, telephone or e-mail enquiries from public investors regarding the Company's operations, to which the Company responded seriously in accordance with the Investor Relations Management System and relevant laws and regulations, on the premise of avoiding selective disclosure of information.

## Section 5 Significant Events

### I. The Company's common stock profit distribution and conversion of capital reserve into share capital

1. Formulation, implementation or adjustment of common stock profit distribution policy, especially cash dividend policy, during the Reporting Period

Applicable  Not applicable

The Company, which attaches importance to reasonable returns to investors, strictly implemented the profit distribution policy in accordance with its Articles of Association during the Reporting Period. The Company implemented its cash dividend policy in accordance with normative documents and the Articles of Association. It has complete decision-making procedures and mechanisms. With clear duties, the independent directors played their due roles. Minority shareholders had the opportunity to fully express their opinions and appeals, and their legitimate rights and interests have been safeguarded.

Special explanation of cash dividend policy	
Whether it complies with the provisions of the Articles of Association or the resolutions of the general meeting of shareholders:	Yes
Whether the dividend payout standard and ratio are clear and definite:	Yes
Are the decision-making procedures and mechanisms complete:	Yes
Whether the independent directors have performed their duties and played their due roles:	Yes
Whether minority shareholders had the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully safeguarded:	Yes
Whether the conditions and procedures for the adjustment or change of the cash dividend policy are compliant and transparent:	Not applicable

2. The Company's common stock dividend distribution plan (prearranged plan) and plan (prearranged plan) of conversion of capital reserve into share capital in recent three years (including the Reporting Period)

As the requirements for paying dividends stipulated in the Articles of Association were not met, the Company did not distribute profits in 2018.

The Company's profit distribution plan for 2019: In order to offer returns to shareholders and considering its distribution ability and the needs for strategic development, the Company proposed a prearranged plan for profit distribution for 2019 as follows: to use undistributed profit to pay a cash dividend of 0.35 yuan per 10 shares (tax inclusive) based on the total share capital of 880,084,656 shares of the Company to all shareholders, with the total cash dividends to be distributed amounting to 30,802,962.96 yuan (tax inclusive) . After the distribution of the cash dividend, the remaining undistributed profit will be retained for the development of the Company's natural gas business. The Company will not carry out bonus issue and conversion of capital reserve into share capital in 2019 .

The Company's prearranged plan for profit distribution for 2020: In order to offer returns to shareholders and considering its distribution ability and the needs for strategic development, the Company proposed a prearranged plan for profit distribution for 2020 as follows according to its Articles of Association and other rules: to use undistributed profit to pay a cash dividend of 0.20 yuan per 10 shares (tax inclusive) based on the total share capital of 880,084,656 shares of the Company to all shareholders, with the total cash dividends to be distributed amounting to 17,601,693.12 yuan (tax inclusive) . After the distribution of the cash dividend, the remaining undistributed profit will be retained for the development of the Company's natural gas business. The Company will not carry out bonus issue and conversion of capital reserve into share capital in 2020.

The independent directors of the Company expressed their independent opinions in favour of this, holding that the prearranged plan for profit distribution complies with the Articles of Association and the relevant regulations for listed companies, and the procedures are in compliant and legal. The distribution plan focuses on the needs of the Company's realistic development, which is conducive to the return of shareholders, is in line with the long-term interests of the Company and shareholders, and complies with listed companies' provisions on dividends and the Company's Articles of Association. We agree with them.

The Company's prearranged plan for profit distribution for 2020 needs to be submitted to the 2020 Annual General Meeting of Shareholders for review.

3. Table of the Company's cash dividends on common stock in recent three years including the Reporting Period)

Unit:  
Yuan

Year	Cash dividend (tax inclusive)	Net profit attributable to common shareholders of the listed company in the consolidated statement in the year	Ratio of cash dividend to net profit attributable to common shareholders of the listed company in the consolidated statement	Cash dividend in other ways (such as share buyback)	Ratio of cash dividend in other ways to net profit attributable to common shareholders of the listed company in the consolidated statement	Total cash dividends (including other ways)	Ratio of total cash dividends (including other ways) to net profit attributable to common shareholders of the listed company in the consolidated statement
2020	17,601,693.12	142,314,776.28	12.37%	0.00	0.00%	17,601,693.12	12.37%
2019	30,802,962.96	133,427,291.24	23.09%	0.00	0.00%	30,802,962.96	23.09%
2018	0.00	102,530,653.04	0.00%	0.00	0.00%	0.00	0.00%

4. The Company was profitable during the Reporting Period and the parent company's net profit available for distribution to common shareholders was positive, but it did not propose a prearranged plan for distribution of cash dividends on common stock

Applicable  Not applicable

**II. Profit distribution and conversion of capital reserve into share capital during the Reporting Period**

Applicable  Not applicable



Number of bonus shares per <b>10</b> shares (shares)	0
Dividend per <b>10</b> shares (yuan) (tax inclusive)	0.20
Number of additional shares per <b>10</b> shares (shares)	0
Total share capital as the base in prearranged plan for profit distribution (shares)	880,084,656
Cash dividend (yuan) (tax inclusive)	17,601,693.12
Cash dividend (yuan) in other ways (such as share buyback)	0.00
Total cash dividends (including other ways) (yuan)	17,601,693.12
Distributable profit (yuan)	477,074,696.98
Ratio of total cash dividends (including other ways) to total distributable profit	100%
Cash dividends	
As the Company is in the growth stage and has made a plan for significant capital expenditures, the cash dividends should account for at least 20% of the distributable profit	
Detailed explanation of prearranged plans for profit distribution or conversion of capital reserve into share capital	
<p>The Company's prearranged plan for profit distribution for 2020: In order to offer returns to shareholders and considering its distribution ability and the needs for strategic development, the Company proposed a prearranged plan for profit distribution for 2020 as follows according to its Articles of Association and other rules: to use undistributed profit to pay a cash dividend of 0.20 yuan per 10 shares (tax inclusive) based on the total share capital of 880,084,656 shares of the Company to all shareholders, with the total cash dividends to be distributed amounting to 17,601,693.12 yuan (tax inclusive) . After the distribution of the cash dividend, the remaining undistributed profit will be retained for the development of the Company's natural gas business. The Company will not carry out bonus issue and conversion of capital reserve into share capital in 2020.</p>	

## **Section 9 Directors, supervisors, senior managers and employees**

### **IV. Remuneration for directors, supervisors and senior managers**

#### **1. Procedure and basis for determining the remuneration for directors, supervisors and senior managers**

##### **(1) Procedure for determining the remuneration for directors, supervisors and senior managers**

At the beginning of their term of office, the Company's general meeting of shareholders and Board of Directors formulated the Management Measures on Remuneration for the Ninth Directors and Supervisors and the Management Measures on Remuneration and Appraisal for the Ninth Senior Managers, respectively. The remuneration of directors and supervisors is linked to the contributions they make to the Company, and the remuneration of senior managers is linked to performance appraisal. The Remuneration and Appraisal Committee of the Company's Board of Directors assists the Board in working out an appraisal and remuneration plan for directors, supervisors and senior managers at the end of every year. The plan will be submitted to the Board for review in accordance with the Articles of Association, the Corporate Governance Outline, the Management Measures on Remuneration for the Ninth Directors and Supervisors, and the Management Measures on Remuneration and Appraisal for the Ninth Senior Managers.

##### **(2) Basis for determining the remuneration for directors, supervisors and senior managers**

The remuneration scheme for the current Directors, Supervisors and senior management are based on among others the Articles of Association, the Corporate Governance Framework, the Regulations Governing the Remuneration of the Ninth Term Directors and Supervisors, the Regulations Governing the Remuneration and Appraisal of the Ninth Term Senior Management and the Statement of Operating Objectives and Responsibilities of the Company and the Audit Report.

..

2. Remuneration for the Company's directors, supervisors and senior managers during the Reporting Period

Unit: 10,000 Yuan

Name	Title	Gender	Age	Employment status	Total pre-tax compensation received from the Company	Whether he/she gets paid by affiliates of the Company
Wang Peng	Chairman	Male	63	Incumbent	334.82	No
Wang Jian	Vice Chairman	Male	65	Incumbent	7	Yes
Du Yihong	Director, CEO and Board Secretary	Male	45	Incumbent	180.86	No
Zang Qiwen	Director	Female	66	Incumbent	4	Yes
Li Shouqing	Director and Chief Accountant	Female	49	Incumbent	77.52	No
Tian Guanshan	Independent director	Male	57	Incumbent	12	No
Zhu Long	Independent director	Male	66	Incumbent	12	No
Zhang Yufeng	Independent director	Male	57	Incumbent	12	No
Zhang Shuming	Independent director	Male	54	Incumbent	12	No
Meng Lian	Chief supervisor	Female	55	Incumbent	98.86	No
Liu Zhiqiang	Deputy chief supervisor	Male	59	Incumbent	20.18	No
Zhou Lijie	Supervisor	Female	46	Incumbent	4	Yes
Zhang Zhongli	Supervisor	Male	52	Incumbent	24.08	No

Wang Jian	Supervisor	Female	33	Incumbent	4	Yes
Sun Buwu	Vice president	Male	56	Incumbent	116.34	No
Wang Youyin	Vice president	Male	50	Incumbent	104.91	No
Dong Shuo	Vice president	Male	36	Incumbent	75.04	No
Zhang Zhiqing	Vice president	Male	40	Incumbent	22.19	No
Ma Xiang	Director	Male	50	Resigned	0	No
Wang Shimeng	Vice president	Male	53	Resigned	41.86	No
Total	--	--	--	--	<b>1,163.66</b>	--

Notes: ① The above remunerations include those paid for 2019 in the reporting period;

② The remunerations for the Company's external directors, supervisors and independent directors are those paid for 2019 during the reporting period.

3. Equity incentives granted to the Company's directors and senior managers during the Reporting Period

Applicable  Not applicable

**V. Employees of the Company**

## 1. Number, composition and education level of employees

Number of in-service employees in the parent company (persons)	93
Number of in-service employees in the major subsidiaries (persons)	1,978
Total number of in-service employees (persons)	2,071
Total number of salaried employees in the current period (persons)	2,071
Number of retired employees whose expenses are borne by the parent company and major subsidiaries (persons)	0
Composition of employees	
Employees by profession	Number of employees by profession (persons)
Production staff	1,151
Salespersons	214
Technicians	161
Financial staff	111

Administrative staff	434
Total	2,071
Education level	
Types of education levels	Number (persons)
Master's degree	33
Bachelor's degree	382
Associate degree	643
Senior high school and below	1,013
Total	2,071

### 2. Remuneration policy

The Company has established a compensation management system that meets the requirements of listed companies, in a bid to better give play to the role of the compensation mechanism as incentive, further arouse the working enthusiasm of employees, and promote its healthy and sustainable development. It formulated compensation management measures in accordance with the relevant national laws and regulations, labour and personnel management policies and the Company's articles of association, and based on the local and industrial salary level and the actual situation of the Company. The Company determines employees' compensation standards based on job value, and adheres to performance-oriented and ability-oriented principles, giving reasonable returns to excellent employees; All employees shall enjoy fair and consistent treatment, without gender discrimination; At the same time, the Company is committed to attracting and retaining outstanding talents by offering them competitive salaries.

### 3. Training programme

The Company actively implements the talent concept of "everyone is a talent, and talent is capital" and always gives priorities to the training and development of talents. The Company implemented the general manager trainee development programme and pushed forward with the development plans for young employees, in order to train talents. It tapped resources from internal and external training platforms, gave full play to the advantages of the online training platform, and flexibly organised talent training and examination. Actions were taken to create a practical and

convenient learning and improvement environment for employees to promote the stable, rapid and healthy development of the Company.

4. Labour outsourcing

Applicable  Not applicable

**D. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2021****Section III - Management Discussion and Analysis****I. Principal activities of the Company during the reporting period**

In the first half of 2021, under the leadership of the Board of Directors and the supervision of the Supervisory Committee, the Company actively responded to the changes in the situation, continued to implement the concept of safe development, consolidated its basic management, strived to open up markets and accelerated management innovation, achieving healthy and stable development.

In the first half of 2021, the Company achieved operating income of RMB2,047 million and net profit attributable to the parent company of RMB177 million, representing a year-on-year increase of 126.55% in net profit. The increase in net profit as compared to the corresponding period of the previous year was mainly due to the stable development of the Company's natural gas segment and the realisation of income from reclaimed land.

**(1) First Half Year Review**

1. During the reporting period, the Company's main business overcame the enormous challenges of gas shortage and abnormal gas price fluctuations during the winter, and achieved double growth in gas sales and natural gas customers by increasing market development efforts and vigorously expanding value-added businesses, which laid a solid foundation for the Company's future development.

(1) During the reporting period, the Company continued to maintain good momentum on the basis of the market development campaign in the previous year. Through organizing activities such as holding special seminars on market development, the Company gradually enhanced its market awareness, had more flexible and diversified development strategies, achieved remarkable market development results, and significantly enhanced its operational and competitive capabilities.

(2) During the reporting period, the Company's value-added segment optimised its organisational structure and business system, expanded its portfolio of value-added products, optimised its assessment mechanism and training system, and established a team of "internal trainers" to conduct business training on a regular basis, resulting in the rapid development of its value-added segment during the reporting period.



(3) During the reporting period, the Company's equipment material manufacturing segment actively responded to environmental changes and further improved its market presence through increased market development, solid foundation management and control of operational risks.

2. During the reporting period, the Company intensified its efforts in basic management. First, the Company continued to establish and improve its processes and enhance its professional strength, and significantly improved the level of basic work such as project management; Second, the Company further sorted out our assets, revitalized and cleaned up inefficient and ineffective assets, and further improved the quality of our assets.

3. During the reporting period, the Company continuously raised its awareness of safety management and increased its safety management level and emergency response capability to a new level by launching a series of special actions and emergency response arrangements, such as safety in the community, campus and village streets, company wide hidden dangers exploration, patrol along pipeline network for thousands of miles, centralized household safety inspection, general manager's open class on safety production and internal trainer training.

4. During the reporting period, the Company actively implemented employee care activities and carried out various forms of team building activities and educational activities with rich content, resulting in a high staff morale and a further increase in cohesion and sense of belonging.

5. In order to realize its high quality and rapid development, the Company introduced a strategic investor, China Oil and Gas Investment Group Limited. The introduction of strategic investors is beneficial to the Company in obtaining sufficient business resources, which is of strategic significance to enhance the core competitiveness and profitability of the Company.

#### (2) Work Plan for Second Half of 2021

In the second half of the year, the Company will continue to focus on market development, accelerate the promotion of value-added business, strengthen cash flow control, enhance infrastructure management and internal control development, and plan for the development of the Company.

For the second half of the year, the Company will focus on the following areas: First, the Company will continue to implement the development concept of safety first, enhance safety awareness, make good arrangements for pandemic prevention, and not be any loose in our safety production and pandemic prevention work. Second, the Company will continue to play a leading role in the market and vigorously promote market development. Third, the Company will vigorously develop value-added businesses, be innovative and accelerate the exploration and implementation of new businesses. Fourth, the Company will strengthen cash flow control, prevent capital risks and ensure the healthy development. Fifth, the Company will continue to strengthen our infrastructure management and further enhance our management standards. Sixth, the Company will plan for the future development.

### **II. Core Competitiveness Analysis**

There were no changes in the core competitiveness of the Company's various segments during the reporting period, as described in the Company's 2020 Annual Report.

### **III. Principal Activities Analysis**

#### 1. Overview

Whether it is the same as the disclosure of the principal activities engaged by the company during the reporting period

Yes  No

Please refer to “I. Principal activities of the Company during the reporting period” for details.

## 2. Year-on-year changes in key financial data

Unit: Yuan

Item	This period	Previous period	YoY increase/ decrease (%)
<b>Operating Income</b>	2,046,593,854.54	1,910,057,797.76	7.15
<b>Operating Costs</b>	1,707,978,875.06	1,532,234,831.99	11.47
<b>Cost of Sales</b>	113,898,321.61	126,221,466.36	-9.76
<b>Business tax and surcharges</b>	5,062,236.93	5,073,777.08	-0.23
<b>Administrative expenses</b>	86,518,106.50	56,889,440.22	52.08
<b>Financial expenses</b>	70,938,989.00	48,368,995.17	46.66
<b>R&amp;D expenses</b>	13,803,100.25	9,473,965.74	45.70
<b>Credit impairment loss</b>	-2,631,949.97	2,589,150.54	-201.65
<b>Asset impairment loss</b>	38,364.90	-584.98	6,658.33
<b>Other income</b>	1,263,577.90	627,277.73	101.44
<b>Investment income</b>	231,037,351.40	12,911,873.02	1,689.34
<b>Gains on Disposal of Assets</b>	3,943,005.79	-11,476.49	-34,457.25
<b>Non-operating income</b>	491,802.61	1,669,043.41	-70.53
<b>Non-operating expenses</b>	4,467,145.71	210,701.80	2,020.13
<b>Total profit</b>	278,069,232.11	149,369,902.63	86.16
<b>Income tax expenses</b>	83,852,774.76	39,706,494.42	111.18
<b>Net profit attributable to the shareholders of the listed company</b>	176,750,481.20	78,016,729.24	126.55
<b>Net profit attributable to the shareholders of the listed company after deducting the non-recurring profits and losses</b>	171,076,590.89	74,792,711.21	128.73
<b>Net cash flows from operating activities</b>	-31,623,969.58	143,228,326.51	-122.08
<b>Net cash flows from investing activities</b>	-16,184,523.46	-192,438,611.21	91.59
<b>Net cash flows from financing activities</b>	-134,460,288.34	50,469,713.95	-366.42
<b>Net increase in cash and cash equivalents</b>	-182,268,781.38	1,259,754.18	-14,568.60

Description of reasons for change:

(1) The increase in administrative expenses as compared to the corresponding period of the previous year was mainly due to the increase in business and no more pandemic-related

employee social insurance waiver during this period, which was available in the previous period.

(2) The increase in financial expenses as compared to the corresponding period of the previous year was mainly due to the increase in borrowing costs as compared to the corresponding period of the previous year.

(3) The increase in research and development expenses as compared to the corresponding period of the previous year was mainly due to the increased investment in research and development by the Company's natural gas business segments and equipment manufacturing segments.

(4) The increase in other income as compared to the previous period was mainly due to the increase in the government allowance and tax relief received in the current period as compared to the previous period.

(5) The increase in investment income as compared with the corresponding period of the previous year was mainly due to the increase in income from Qingdao Shengtong Coastal Real Estate Development. Co., Ltd., an investee of the Company.

(6) The increase in gain on disposal of assets as compared to the corresponding period of the previous year was mainly due to the increase in gain on disposal of fixed assets of the Company during the period.

(7) The increase in non-operating expenses as compared to the corresponding period of the previous year was mainly due to the increase in the loss on retirement of non-current assets of the Company during the current period.

(8) The increase in income tax expense as compared to the corresponding period of the previous year was mainly due to the increase in the reversal of deferred income tax assets in the current period.

(9) The increase in net profit attributable to shareholders of the listed company and net profit attributable to shareholders of the listed company after non-recurring gain or loss as compared with the corresponding period of the previous year was mainly attributable to the stable development of the Company's natural gas segment and the realisation of revenue from reclaimed land.

(10) The decrease in net cash flows from operating activities as compared to the corresponding period of the previous year was mainly due to the increase in the Company's procurement costs and the decrease in accounts payable and contract liabilities in the current period.

(11) The increase in net cash flows from investing activities as compared to the corresponding period of the previous year was mainly due to the dividend distribution of RMB110,215,100 received by the Company from its investees during the period.

(12) The decrease in net cash flows from financing activities as compared to the corresponding period of the previous year was mainly due to the increase in the repayment of bank loans and the decrease in the acquisition of loans by the Company in the current period as compared to the previous period.

3. Significant changes in the composition of the Company's profit or sources of profit for the reporting period

Applicable  Not applicable

There have been no significant changes in the composition of the Company's profit or sources of profit for the reporting period.

## 4. Operating income components

Unit: Yuan

Item	This period		Previous period		YoY increase/decrease (%)
	Amount	Percentage of operating income (%)	Amount	Percentage of operating income (%)	
Total operating income	2,046,593,854.54	100	1,910,057,797.76	100	33.72
<b>By segment</b>					
Natural Gas Segment	1,502,572,736.75	73.42	1,467,924,901.30	76.85	2.36
Where: Natural gas terminal sales business	1,374,012,368.45	67.14	1,275,341,421.69	66.77	7.74
Natural gas trading business	128,560,368.30	6.28	192,583,479.61	10.08	-33.24
Equipment material manufacturing segment	540,579,242.11	26.41	434,976,672.54	22.77	24.28
Oil trading business	2,422,511.97	0.12	5,697,926.15	0.30	-57.48
Other	1,019,363.71	0.05	1,458,297.77	0.08	-30.10
<b>By product</b>					
Natural Gas Segment	1,502,572,736.75	73.42	1,467,924,901.30	76.85	2.36
Where: Natural gas terminal sales business	1,374,012,368.45	67.14	1,275,341,421.69	66.77	7.74
Natural gas trading business	128,560,368.30	6.28	192,583,479.61	10.08	-33.24
Equipment material manufacturing segment	540,579,242.11	26.41	434,976,672.54	22.77	24.28
Oil trading business	2,422,511.97	0.12	5,697,926.15	0.30	-57.48
Other	1,019,363.71	0.05	1,458,297.77	0.08	-30.10
<b>By region</b>					
Shandong Region	1,083,281,716.41	52.93	1,046,872,798.52	54.81	3.48
Shaanxi	29,963,045.51	1.46	19,769,900.13	1.04	51.56
Liaoning	10,520,204.03	0.51	6,452,636.49	0.34	63.04
Hebei	321,307,919.28	15.70	403,132,477.10	21.11	-20.30
Guangxi	67,172,925.86	3.28	19,224,905.21	1.01	249.41
Henan	207,422,859.34	10.14	188,347,873.72	9.86	10.13
Zhejiang	83,656,295.15	4.09	57,892,586.30	3.03	44.50
Jiangxi	34,639,700.09	1.69	26,243,556.22	1.37	31.99
Chongqing	208,629,188.87	10.19	142,121,064.07	7.44	46.80

5. Segments, products or regions accounting for more than 10% of the Company's operating income or operating profit

√ Applicable □ Not applicable

Unit: Yuan

Item	Operating Income	Operating Costs	Gross margin (%)	Up or down in operating revenue over the same period of the previous year (%)	Up or down in operating costs over the same period last year (%)	Change in gross profit margin YoY (%)
<b>By segment</b>						
Natural Gas Segment	1,502,572,736.75	1,213,176,434.03	19.26	2.36	4.45	Down by 1.61%
Where: Natural gas terminal sales business	1,374,012,368.45	1,088,308,470.63	20.79	7.74	12.20	Down by 3.15%
Natural gas trading business	128,560,368.30	124,867,963.40	2.87	-33.24	-34.80	Up by 2.32%
Equipment material manufacturing segment	540,579,242.11	492,906,918.38	8.82	24.28	33.67	Down by 6.41%
Oil trading business	2,422,511.97	1,656,558.33	31.62	-57.48	13.52	Down by 42.77%
Other	1,019,363.71	238,964.32	76.56	-30.10	-54.85	Up by 12.85%
<b>By product</b>						
Natural Gas Segment	1,502,572,736.75	1,213,176,434.03	19.26	2.36	4.45	Down by 1.61%
Where: Natural gas terminal sales business	1,374,012,368.45	1,088,308,470.63	20.79	7.74	12.20	Down by 3.15%
Natural gas trading business	128,560,368.30	124,867,963.40	2.87	-33.24	-34.80	Up by 2.32%
Equipment material manufacturing segment	540,579,242.11	492,906,918.38	8.82	24.28	33.67	Down by 6.41%
Oil trading business	2,422,511.97	1,656,558.33	31.62	-57.48	13.52	Down by 42.77%
Other	1,019,363.71	238,964.32	76.56	-30.10	-54.85	Up by 12.85%
<b>By region</b>						
Shandong Region	1,083,281,716.41	945,623,340.59	12.71	3.48	7.79	Down by 3.49%
Shaanxi	29,963,045.51	27,545,806.04	8.07	51.56	67.41	Down by 8.71%
Liaoning	10,520,204.03	9,543,389.03	9.29	63.04	127.10	Down by 25.59%
Hebei	321,307,919.28	275,555,017.76	14.24	-20.30	-17.05	Down by 3.36%
Guangxi	67,172,925.86	55,674,664.49	17.12	249.41	320.05	Down by 13.94%
Henan	207,422,859.34	174,356,934.58	15.94	10.13	14.03	Down by 2.88%
Zhejiang	83,656,295.15	61,445,428.10	26.55	44.50	57.64	Down by 6.12%
Jiangxi	34,639,700.09	23,714,949.90	31.54	31.99	35.25	Down by 1.65%
Chongqing	208,629,188.87	134,519,344.57	35.52	46.80	69.37	Down by 8.59%

► In the event that the Company's statistics of principal activities are adjusted for the reporting period, the Company's adjusted statistics of principal activities for the most recent (1) year

Applicable  Not applicable

► Reasons for changes of more than 30% YoY in the relevant stats

Applicable  Not applicable

The decrease in operating income from oil trading segment as compared to the corresponding period of the previous year was mainly due to the reduction in the scale of operation of the Company's trading segments with low gross margin in accordance with the strategic arrangement.

#### IV. Non-Principal Activities Analysis

Applicable  Not applicable

Unit: Yuan

Item	Amount	Percentage of total profit (%)	Description of Causes	Sustainable or not
Effect of investment income and deferred income tax expense	179,477,230.25	64.54	They are mainly the effect of fluctuations in income from long-term equity investment under the equity method and deferred income tax .	Yes
Assets impairment	38,364.90	0.01	They are mainly the bad debt provisions for contract assets.	No
Non-operating income	491,802.61	0.18	They are mainly a government grant recognised for the period.	No
Non-operating expenses	4,467,145.71	1.61	They are mainly expenses for scrap losses, donations, and fines among others.	No
Credit impairment loss	-2,631,949.97	-0.95	They are mainly bad debt provisions for accounts receivable and other receivables	No
Other income	1,263,577.90	0.45	They are mainly government grants, tax breaks and others.	No
Gains on Disposal of Assets	3,943,005.79	1.42	They are mainly gain on disposal of fixed assets	No

## V. Analysis of assets and liabilities

### 1. Significant changes in asset components

Unit: Yuan

Item	At the end of the reporting period		End of previous year		Change in Percentage (%)
	Amount	Percentage of total assets (%)	Amount	Percentage of total assets (%)	
Monetary Funds	675,463,711.96	10.04	895,147,268.19	13.26	-3.22
Accounts receivable	401,044,643.24	5.96	382,618,983.73	5.67	0.29
Contractual Assets	27,602,307.65	0.41	32,042,250.17	0.47	-0.06
Inventories	430,982,779.93	6.41	407,349,207.60	6.03	0.38
Investment properties	72,051,318.00	1.07	72,051,318.00	1.07	0.00
Long-term equity investments	974,238,842.81	14.48	743,201,491.41	11.01	3.47
Fixed assets	1,776,882,850.85	26.41	1,791,339,085.32	26.53	-0.12
Construction in progress (CIP)	242,437,979.54	3.60	178,823,516.53	2.65	0.95
Right-of-use assets	93,583,045.63	1.39		0.00	1.39
Short-term borrowings	1,210,029,612.32	17.98	1,226,664,923.48	18.17	-0.19
Contractual liabilities	463,828,522.80	6.89	587,662,458.51	8.70	-1.81
Long-term borrowings	413,277,500.00	6.14	401,742,500.00	5.95	0.19
Lease liabilities	78,228,486.57	1.16		0.00	1.16
Goodwill	1,241,258,775.22	18.45	1,241,258,775.22	18.38	0.07
Notes payable	530,900,000.00	7.89	572,500,000.00	8.48	-0.59
Accounts Payable	277,060,337.12	4.12	367,541,743.20	5.44	-1.32
Non-current liabilities due within one year	254,738,711.17	3.79	241,979,947.66	3.58	0.21

#### Description of material changes:

(1) The increase in the closing balance of accounts receivable as compared to the closing balance of the previous year was mainly due to the increase in revenue from the Company's natural gas segment and equipment manufacturing segment.

(2) The increase in the closing balance of long-term equity investments as compared to the closing balance of the previous year was mainly due to the realization of investment income from investees.



(3) The increase in the closing balance of construction in progress as compared to the closing balance of the previous year was mainly due to the increase in the construction of gas pipeline network by the natural gas segment during the period.

(4) The decrease in the closing balance of short-term borrowings as compared to the closing balance of the previous year was mainly attributable to the repayment of bank loans.

(5) The decrease in the closing balance of contract liabilities as compared to the closing balance of the previous year was mainly due to the transfer of contract liabilities from the beginning of the period to income in the current period.

(6) The increase in the closing balance of right-of-use assets and lease liabilities as compared to the closing balance of the previous year was mainly due to the recognition of right-of-use assets and lease liabilities under the new lease standard implemented by the Company since 2021.

(7) The increase in the closing balance of long-term loans as compared to the closing balance of the previous year was mainly due to the increase in long-term loans during the period.

## 2. Information on major assets overseas

Applicable  Not applicable

## 3. Assets and liabilities measured at fair value

Applicable  Not applicable

Unit: Yuan

Item	Opening figure	Loss/gain on changes in fair value for the period	Cumulative fair value changes recognised in equity	Impairment charged in the period	Purchase for the period	Disposal for the period	Other changes	Closing figure
<b>Financial Assets</b>								
1. Financial assets held for trading (excluding derivative financial assets)	20,000,000.00	--	--	--	--	10,000,000.00	--	10,000,000.00
2. Derivative financial assets	--	--	--	--	--	--	--	--
3. Other debt investments	--	--	--	--	--	--	--	--
4. Investment in other equity instruments	52,235,299.91	-80,531.52	--	--	--	--	--	52,154,768.39
<b>Subtotal of financial assets</b>	<b>72,235,299.91</b>	<b>-80,531.52</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10,000,000.00</b>	<b>--</b>	<b>62,154,768.39</b>
Investment properties	72,051,318.00	--	--	--	--	--	--	72,051,318.00
Productive biological assets	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--
<b>Total of the above</b>	<b>144,286,617.91</b>	<b>-80,531.52</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10,000,000.00</b>	<b>--</b>	<b>134,206,086.39</b>
<b>Financial liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

For items measured at fair value, their classification, measurement method, impairment provision and accounting among others are clearly stipulated in the Company's internal control systems, such as the Financial Management System, Accounting System and Property Stock Taking Regulations. The leasehold properties on Haikou Road, Qingdao as listed above, a part of the Company, are measured at fair value in accordance with the Company's accounting policy, of which the fair value was determined with due consideration to the quoted price in the active local real estate trading market and with reference to the appraised price by the real estate appraisal agency.

The Company estimates whether the impact of the above fair value changes on the Company's profit is sustainable or not based on a combination of internal and external factors, but there are a certain risk of uncertainty in real estate market prices due to the national regulation.

► Contents of other changes

Applicable  Not applicable

► Whether there were significant changes in the measurement nature of major assets of the Company during the reporting period

Yes  No

4. Restricted rights to assets as at the end of the reporting period

For the Company's assets with restricted ownership rights or right to use as of the end of the reporting period, please refer to "V. Notes to the key items of the consolidated financial statements - (57) Assets with restricted ownership rights or right to use" under the Notes to the Financial Statements" section of this report.

## **VI. Analysis of Investments**

1. General

Applicable  Not applicable

2. Significant equity investments acquired during the reporting period

Applicable  Not applicable

3. Significant non-equity investments in progress during the reporting period

Applicable  Not applicable

## 4. Investment in financial assets

## (1) Securities Investment

Applicable  Not applicable

Unit: Yuan

Type of Securities	Securities Code	Stock Short Name	Initial investment cost	Accounting and Measurement Model	Opening carrying amount	Loss/gain on changes in fair value for the period	Cumulative fair value changes recognised in equity	Purchase for the period	Disposal for the period	Profit or loss for the period	Closing carrying amount	Accounts	Source of funds
Domestic and foreign shares	002948	Bank of Qingdao	162,708.00	Measured at Fair Value	497,449.91	-80,531.52	254,210.39	--	--	--	416,918.39	Other equity instrument investments	Self-financing
Total			162,708.00	-	497,449.91	-80,531.52	254,210.39	-	-	-	416,918.39	-	-
Disclosure Date of Approval Announcement from Board of Directors on Investment in Securities						Not applicable							
Disclosure Date of Approval Announcement from Shareholders' Meeting on Investment in Securities						Not applicable							

Notes: The 83,887 shares of Qingdao Bank originally held by the Company were listed on the Shenzhen Stock Exchange on 16 January 2019.

## (2) Derivatives investment

Applicable  Not applicable

The Company had no derivative investments in the reporting period.

**VII. Material disposal of assets and equity interests**

## 1. Disposal of major assets

Applicable  Not applicable

The Company did not dispose of any major assets during the reporting period.

## 2. Disposal of material equity interests

Applicable  Not applicable

## VIII. Analysis of Major Subsidiaries and Investees

√ Applicable □ Not applicable

## 1. Major subsidiaries and investees contributing more than 10% of net profit to the Company

Unit: Yuan

Company name	Company Type	Principal activities	Registered Capital	Total assets	Net Assets	Operating Income	Operating profit	Net profit
Chongqing Shengbang Gas Co., Ltd.	Subsidiary	Construction of natural gas and gas equipment installation works; Sales and repair of gas appliances; Sales of wall-mounted stoves and gas-fired equipment; Retail of Compressed Natural Gas	280,000,000.00	429,965,808.12	322,722,332.89	192,466,150.04	49,328,835.05	41,844,629.88
Bazhou Shengli Shunda Gas Co., Ltd.	Subsidiary	Natural gas business and pipeline distribution; Business management services; Installation and maintenance of gas-fired appliances; Wholesale and retail of gas appliances, gas transmission equipment and materials; Lease of self-owned equipment, buildings and premises; Natural gas technical consulting services and natural gas technology development and utilization; Sales of building materials and accessories, electrical and mechanical equipment	130,000,000.00	505,779,805.32	262,844,276.65	321,307,919.28	25,061,094.63	19,374,621.98
Puyang Boyuan Natural Gas Co., Ltd.	Subsidiary	Natural gas, stoves and accessories, heating equipment, sales	24,110,000.00	164,830,977.53	102,468,424.64	115,485,550.43	12,608,743.98	9,729,812.15
Shandong Shengbang Plastic Co., Ltd.	Subsidiary	Manufacturing, research and sale of plastic products	100,000,000.00	700,281,111.58	201,934,208.37	270,955,601.45	6,332,493.31	4,725,487.21
Zibo Lvchuan Gas Co., Ltd.	Subsidiary	Sales of piped natural gas; Construction of urban gas works, production and sale of kitchenware, sale of household appliances, gas appliances, hardware products, plastic products, pipes, chemical products (excluding dangerous and precursor chemicals), installation and maintenance of gas-fired appliances (excluding special equipment), construction of pipeline networks (excluding pressure pipelines)	45,000,000.00	294,551,563.07	151,112,828.86	205,540,626.37	18,591,668.77	13,196,701.77
Dong'a Dongtai Gas Co., Ltd.	Subsidiary	Natural gas sales and installation of supporting facilities	10,000,000.00	285,834,477.26	133,977,047.89	110,681,629.97	9,085,269.19	6,208,505.16
Shandong Huashen Energy Co., Ltd.	Subsidiary	Investment, development and utilization of liquefied natural gas projects and installation of related equipment	100,000,000.00	185,686,614.23	-12,154,020.53	26,873,766.32	-11,433,712.92	-11,315,255.67

Wenzhou Shengli Gangyao Natural Gas Co., Ltd.	Subsidiary	Investment, development and operation in relation to piped gas; Sale of liquefied natural gas, pipelines and accessories. Sales, installation and repair of natural gas equipment, electrical and mechanical equipment, electronic monitoring equipment, heating equipment, gas appliances and parts; Sales and installation of smart home appliances and kitchen and bathroom equipment; Natural Gas Technical Consulting Services	60,000,000.00	188,315,753.10	88,829,949.04	83,656,295.15	11,263,265.05	6,874,622.75
Shandong Shengli Bioengineering Co., Ltd.	Investee	Production and sales of premixes (flavomycin fermentation, salinomycin fermentation) and APIs (ivermectin), monensin premixes (antibiotic fermentation), and non-sterile APIs (tiamulin fumarate)	200,000,000.00	904,206,439.34	509,200,870.14	264,635,063.70	50,455,198.31	43,476,643.61

## 2. Acquisitions and disposals of subsidiaries during the reporting period

Applicable  Not applicable

Company name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall operations and results
Bazhou Shengshun New Energy Development Co., Ltd.	Incorporation	The subsidiary is relatively small in assets, and has a relatively small impact on the company's profit for the reporting period.

## 3. Description of Major Subsidiaries and Investees

During the reporting period, the LNG processing plant, Shandong Huasheng Energy Co., Ltd., and the natural gas utilization project, Dong'a Sunshine Clean Energy Co., Ltd., were underutilized due to market and supply factors, and the Company was actively exploring business optimization and transformation.

### IX. Structured entities under the control of the company

Applicable  Not applicable

### X. Risks to the Company and Solutions

1. Risks for the natural gas segment mainly lies with the change of the economic situations under the pandemic, the industry policy reform and the surge of LNG prices during the off-peak season, bringing uncertainty to the earnings of the Company from its main business.

Counter Measures:

First, during the special period of the pandemic, the Company will do a good job in ensuring the supply of natural gas to protect the safety of customers, actively explore the market and adopt flexible business strategies to cope with the impact of the pandemic.

Second, the Company will further improve our services and branding, firmly establish our customer-centered philosophy and build up our core competitiveness.

Third, the Company will further strengthen the management of gas sources, broaden gas supply channels and build a multi-source gas supply system; the Company will make full use of the various natural gas procurement mechanisms in the market to reduce the cost of natural gas.

Fourth, the Company will promote business innovation, vigorously develop and try out various value-added businesses and integrated energy businesses, broaden its scope of business and cultivate new profit growth points.

2. The risks of the equipment material manufacturing segment are mainly the risk of fluctuations in raw material prices and the risk of competition in the market.

Counter Measures:

First, the Company will strengthen the management and operation of raw materials, overcome the impact of raw material prices, pandemics, and ship schedules, among others.

Second, the Company will make full use of the comprehensive advantages of brand, quality, technology and scale to increase publicity, further improve brand awareness, and actively develop new customers on the basis of maintaining good relationships with old customers.

Third, the Company will complete the installation of a large diameter pipe production line to enrich our product line and production capacity so as to meet diversified market demands.

Fourth, the Company will actively explore large accounts, maintain and develop the gas pipeline market, while continuing to increase marketing efforts for water supply pipelines, introduce the marine equipment segment, and develop new businesses such as PE pipe fittings and heat pipes when timing is good.

Fifth, the Company will continue to strengthen technological research and development, improve intelligent production and enhance cost control.

**INTRODUCTION**

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2021 (collectively known as the “**Unaudited Pro Forma Financial Information**”) has been prepared by the directors of the Company (the “**Directors**”) in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the major transaction in relation to the Acquisition and Further Acquisition of the issued share capital of the Target Company, on the consolidated financial position of the Group. Details of the Acquisition and Further Acquisition are set out in the section entitled “Letter from the Board” contained in this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 as extracted from the Company’s published interim report for the six months ended 30 June 2021 as referred to in Appendix I to this circular and the unaudited consolidated statement of financial position of the Target Group as at 30 June 2021 as extracted from the unaudited consolidated balance sheet of the Target Group as set out in Section A of Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition and Further Acquisition. Because of its hypothetical nature, such Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition and Further Acquisition been completed as of the specified date or any future dates.

In addition, for the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors considered that the fair value of the identifiable net assets of the Target Group may change after the date of this circular as the fair value of identifiable net assets of the Target Group to be incorporated in the Enlarged Group’s consolidated financial statements using the equity method of accounting will be assessed on the completion date of the Acquisition and Further Acquisition. As the Unaudited Pro Forma Financial Information of the Enlarged Group is prepared for illustrative purposes only, the Directors have assumed that the fair value of the identifiable net assets of the Target Group as at 30 June 2021 was their respective carrying amount. The possible change in fair value of identifiable net assets of the Target Group is not reflected in the Unaudited Pro Forma Financial Information of the Enlarged Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group set out in the interim report of the Company for the six months ended 30 June 2021 and with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND  
LIABILITIES OF THE ENLARGED GROUP

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2021 <i>(Note 1)</i> HK\$'000	Unaudited pro forma adjustments in respect of the Acquisition and Further Acquisition			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2021 HK\$'000
		<i>(Notes 2 and 3)</i> HK\$'000	<i>(Note 4)</i> HK\$'000		
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9,482,166	—	—		9,482,166
Right-of-use assets	625,034	—	—		625,034
Exploration and evaluation assets	131,858	—	—		131,858
Intangible assets	1,036,606	—	—		1,036,606
Investments accounted for using the equity method	550,290	946,191	—		1,496,481
Financial assets at fair value through other comprehensive income	400,588	—	—		400,588
Other non-current assets	1,233,459	—	—		1,233,459
Deferred tax assets	4,772	—	—		4,772
	<u>13,464,773</u>	<u>946,191</u>	<u>—</u>		<u>14,410,964</u>
<b>Current assets</b>					
Inventories	436,649	—	—		436,649
Contract assets, deposits, trade and other receivables	2,451,009	—	—		2,451,009
Current tax recoverable	6,479	—	—		6,479
Time deposits with maturity over three months	543,600	—	—		543,600
Cash and cash equivalents	5,953,085	(946,191)	(2,200)		5,004,694
	<u>9,390,822</u>	<u>(946,191)</u>	<u>(2,200)</u>		<u>8,442,431</u>
<b>Total assets</b>	<u><u>22,855,595</u></u>	<u><u>—</u></u>	<u><u>(2,200)</u></u>		<u><u>22,853,395</u></u>



## APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP  
FOLLOWING THE ACQUISITION AND THE FURTHER ACQUISITION

	Unaudited			Unaudited pro forma
	consolidated statement			consolidated statement
	of assets and			of assets and
	liabilities of the			liabilities of the
Group as at	Unaudited pro forma adjustments in respect of			Enlarged Group as at
30 June 2021	the Acquisition and Further Acquisition			30 June 2021
(Note 1)	(Notes 2 and 3)	(Note 4)		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	1,319,986	—	—	1,319,986
Contract liabilities	2,176,665	—	—	2,176,665
Senior notes	2,701,383	—	—	2,701,383
Short-term borrowings	1,160,555	—	—	1,160,555
Current tax payable	191,779	—	—	191,779
Lease liabilities	15,743	—	—	15,743
	<u>7,566,111</u>	<u>—</u>	<u>—</u>	<u>7,566,111</u>
<b>Non-current liabilities</b>				
Senior notes	5,802,457	—	—	5,802,457
Long-term borrowings	978,456	—	—	978,456
Lease liabilities	63,160	—	—	63,160
Deferred tax liabilities	155,972	—	—	155,972
Assets retirement obligation	197,801	—	—	197,801
	<u>7,197,846</u>	<u>—</u>	<u>—</u>	<u>7,197,846</u>
<b>Total liabilities</b>	<u>14,763,957</u>	<u>—</u>	<u>—</u>	<u>14,763,957</u>
<b>Net assets</b>	<u>8,091,638</u>	<u>—</u>	<u>(2,200)</u>	<u>8,089,438</u>

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

1. The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 as set out in the Company's published interim report for the six months ended 30 June 2021.
2. On 15 July 2021, the Company entered into the Share Transfer Agreement I and conditionally agreed to acquire 41,074,629 shares of the Target Company, representing 4.67% of the issued shares of the Target Company at the consideration of approximately RMB214,820,000 (equivalent to approximately HK\$257,794,000).

On 15 July 2021, the Company entered into the Share Transfer Agreement II and conditionally agreed to acquire 6,600,874 shares of the Target Company, representing 0.75% of the issued shares of the Target Company at the consideration of approximately RMB31,684,000 (equivalent to approximately HK\$38,022,000).

On 10 August 2021, the Company entered into the Share Transfer Agreement III and conditionally agreed to acquire 61,500,000 shares of the Target Company, representing 6.98% of the issued shares of the Target Company at the consideration of approximately RMB321,645,000 (equivalent to approximately HK\$385,990,000).

On 10 August 2021, the Company entered into the Share Transfer Agreement IV and conditionally agreed to acquire 27,023,600 shares of the Target Company, representing 3.07% of the issued shares of the Target Company at the consideration of approximately RMB141,333,000 (equivalent to approximately HK\$169,606,000).

On 10 August 2021, the Company entered into the Share Transfer Agreement V and conditionally agreed to acquire 15,101,119 shares of the Target Company, representing 1.72% of the issued shares of the Target Company at the consideration of approximately RMB78,979,000 (equivalent to approximately HK\$94,779,000).

The total consideration of the Acquisition and Further Acquisition was approximately RMB788,461,000 (equivalent to approximately HK\$946,191,000). The total consideration will be funded by internal resources of the Group.

3. Upon the completion of the Acquisition and Further Acquisition, the Target Company will become a 17.19% owned associate of the Company, and is accounted for in the consolidated financial statements of the Group using equity method under the line of "Investments accounted for using the equity method" in accordance with HKAS 28 "Investments in Associates and Joint Ventures".

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. For the purpose of this Unaudited Pro Forma Financial Information, the investment is recorded at RMB788,461,000 (equivalent to approximately HK\$946,191,000), being the total consideration paid/payable by the Company, which is not directly related to the financial information of the Target Group as presented in Appendix II to this circular.

The Group will estimate its share of the net fair value of the identifiable assets and liabilities of the Target Group as of the date of completion. The excess of the consideration over the Group's share of the fair value of the Target Group's net assets will be accounted for as goodwill and will be recorded in the carrying value of the investment in the Target Group. In the opinion of the Directors, the fair values of the identifiable assets and liabilities of the Target Group are subject to change upon completion of the Acquisition and Further Acquisition, as the fair values of the assets and liabilities being acquired shall be assessed on the date of completion.

For illustrative purpose, should the Acquisition and Further Acquisition had been completed on 30 June 2021 and the fair value of the Target Group's net assets as of that date approximate to the carrying amounts of the Target Group's net assets of the Adjusted Financial Information under the Company's Policies in Appendix II to this circular, the pro forma goodwill will be as follows:

	<i>Notes</i>	<i>RMB'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total consideration paid/payable	2			946,191
Carrying amounts of the Target Group's net assets of the Adjusted Financial Information under the Company's Policies as at 30 June 2021		3,062,756	3,675,454	
Share of 17.19% of the Target Group's net assets	3			<u>631,811</u>
Pro forma goodwill arising from the Acquisition and Further Acquisition				<u><u>314,380</u></u>

- This represents the estimated transaction cost, such as professional fees, of approximately HK\$2,200,000 incurred which are directly attributable to the Acquisition and Further Acquisition.
- For the purpose of preparation of this Unaudited Pro Forma Financial Information, the exchange rate as at 30 June 2021 adopted by the Directors is HK\$1.0000 to RMB0.8333.

*The following is the text of a report on the Unaudited Pro Forma Financial Information of the Target Group received from PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



26/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

大信梁學濂(香港)會計師事務所有限公司

香港  
銅鑼灣  
威非路18號  
萬國寶通中心26樓

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Oil and Gas Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Oil and Gas Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2021 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages IV-2 to IV-5 of Appendix IV of the circular issued by the Company dated 11 October 2021”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page IV-1 of Appendix IV of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the acquisition and further acquisition of an aggregation of 17.19% share capital of Shandong Shengli Co., Ltd. (hereinafter collectively referred to as the “**Acquisition and Further Acquisition**”) on the Group’s financial position as at 30 June 2021 as if the Acquisition and Further Acquisition had been taken place at 30 June 2021. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s financial statements for the six months ended 30 June 2021.

### Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition and Further Acquisition at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PKF Hong Kong Limited**

*Certified Public Accountants*

Hong Kong

11 October 2021

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

<b>Authorized</b>	<i>HK\$</i>
<u>125,000,000,000</u> Shares of HK\$0.01 each	<u>1,250,000,000</u>

Issue and fully paid or credited as full paid:

5,767,043,834 Shares of HK\$0.01 each	57,670,438
---------------------------------------	------------

All of the Shares in issue rank pari passu in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares in issue on the date of issue.

## 3. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

*Long position in the shares of the Company*

Name of Director	Capacity	Long position/short position	Notes	Number of ordinary shares held	Approximate percentage of the Company's issued share capital	Amount of debentures held
Xu Tie-liang	Beneficiary of a trust	Long position	1,2	1,592,634,130	27.62%	US\$3,540,000
	Interest in controlled corporations	Long position	2	—	—	US\$3,500,000
Guan Yijun	Interest of spouse	Long position	1,2	1,592,634,130	27.62%	US\$3,540,000
	Interest of spouse	Long position	2	—	—	US\$1,500,000
	Interest of controlled corporation	Long position	2	—	—	US\$2,000,000

*Notes:*

1. Mr. Xu Tie-liang (“**Mr. Xu**”) is the beneficiary of The Great Xu Fund Trust, a trust managed by TMF (Cayman) Ltd. TMF (Cayman) Ltd. as trustee holds the entire issued share capital of Great Xu Holdings Limited (“**Great Xu**”) which acquired the entire issued share capital of Sino Vantage Management Limited (“**Sino Vantage**”) on 22 January 2021, which in turn holds 1,592,634,130 Shares. Therefore, Mr. Xu is deemed to be interested in 1,592,634,130 Shares pursuant to the SFO. Ms. Guan Yijun (“**Ms. Guan**”) is the spouse of Mr. Xu, therefore, Ms. Guan is also deemed to be interested in the said 1,592,634,130 Shares pursuant to the SFO.
2. (i) An amount of US\$2,000,000 of the 4.625% senior notes due 2022 (the “**2022 Notes**”) is held through Moral High Limited which is owned by Mr. Xu and Ms. Guan 50% each; (ii) an amount of US\$1,500,000 of the 2022 Notes is held through Sino Advance Holdings Limited; and (iii) an amount of US\$3,540,000 of the US\$320,000,000 5.5% senior notes of the Company due 2023 is held through Sino Vantage.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has an interest or short position in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company was taken or deemed to have under



such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

**(b) Directors' interests in assets and contracts**

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired or disposed of by or leased to the Company since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company subsisting at the Latest Practicable Date and which is significant in relation to the business of the Company.

**(c) Directors' and management shareholders' interests in competing business**

As at the Latest Practicable Date, none of the Directors or the controlling shareholders of the Company and their respective associates has any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

**(d) Substantial Shareholders' and other Shareholders' interests**

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executive of the Company, no other person has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10 per cent. (10%) or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

*Long position in the Shares of the Company*

Name of Shareholders	Capacity	Long position/short position	Number of Shares held	Approximate percentage of the Company's issued share capital
Sino Vantage	Beneficial owner	Long position	1,592,634,130	27.62%
Great Xu	Interest in controlled corporations	Long position	1,592,634,130	27.62%
TMF	Trustee	Long position	1,592,634,130	27.62%

*Note:* These 1,592,634,130 Shares are held by Sino Vantage, which is wholly-owned by Great Xu, which in turn wholly-owned by TMF (Cayman) Ltd. TMF (Cayman) Ltd. managed The Great Xu Fund Trust in which Mr. Xu is the beneficiary. Therefore, each of Great Xu and TMF (Cayman) Ltd. is taken to be interested in the same number of Shares in which Sino Vantage interested.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

**5. MATERIAL CONTRACTS**

Save as disclosed below, the Company has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which are or may be material:

- (i) the share transfer agreement entered into between China Oil and Gas Investment and Jining Qilu Testing Technology Co., Ltd. and Shandong Nova Bio-engineering Co., Ltd. on 15 July 2021 in relation to the acquisition of a total of 41,074,629 shares of the Target Company;
- (ii) the share transfer agreement entered into between China Oil and Gas Investment and Mr. Wang An on 15 July 2021 in relation to the acquisition of a total of 6,600,874 shares of the Target Company;

- (iii) the share transfer agreement entered into between China Oil and Gas Investment and Vendor III on 10 August 2021 in relation to the acquisition of a total of 61,500,000 shares of the Target Company;
- (iv) the share transfer agreement entered into between China Oil and Gas Investment and Mr. Sun Guanjie on 10 August 2021 in relation to the acquisition of a total of 27,023,600 shares of the Target Company;
- (v) the share transfer agreement entered into between China Oil and Gas Investment and Mr. Yan Changyong on 10 August 2021 in relation to the acquisition of a total of 15,101,119 shares of the Target Company;
- (vi) the agreement entered into by and among the Company, certain existing subsidiaries of the Company, the Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley & Co. International plc on 23 June 2021 in relation to the issue of the 4.7% senior notes due 2026 in the aggregate principal amount of US\$400,000,000 by the Company;
- (vii) the funding agreement entered into between PetroChina Company Limited, Chongqing Gas Group Corporation Ltd., Chongqing Shale Gas Industry Investment Fund Co., Ltd \* (重慶頁岩氣產業投資基金有限責任公司), CCNG and Chongqing Kaiyuan Petroleum and Natural Gas Co., Ltd \* (重慶凱源石油天然氣有限責任公司) on 23 November 2020 in relation to the formation of Chongqing Natural Gas Storage and Transportation Co., Ltd. \* (重慶天然氣儲運有限公司);
- (viii) the equity investment agreement entered into by China Oil and Gas Investment, Zheng Shejian, Ning Xianguo, Shanxi Tianfengda Energy Group Co., Ltd. \* (山西天豐達能源集團有限公司), Jishan County Tianfengda Gas Co., Ltd. \* (稷山縣天豐達燃氣有限公司), Wanrong Tianfengda Gas Co., Ltd. \* (萬榮縣天豐達燃氣有限公司), and Ruicheng County Fengde Gas Co., Ltd. \* (芮城縣豐德燃氣有限公司) on 8 July 2020; and
- (ix) the purchase agreement entered into by and among Deutsche Bank AG, Singapore Branch, Morgan Stanley & Co. International plc, the Company and certain subsidiaries of the Company on 18 July 2019 in relation to the issue of the 5.5% senior notes due 2023 in the aggregate principal amount of US\$320,000,000 by the Company.

## 6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 7. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions, letters or advice for the incorporation in this circular:

<b>Name</b>	<b>Qualification</b>
Draco Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities
PKF Hong Kong Limited	Certified Public Accountants

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their opinion or letters, as the case may be, and references to their name, opinion or letters in the form and context in which they appear.

As at the Latest Practicable Date, the above experts are not beneficially interested in any shareholding in the Company nor have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company, nor did they have any interest, either direct or indirect, in any assets of the Company which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of or leased to, or are proposed to be acquired or disposed of or leased to, the Company.

## 8. MISCELLANEOUS

- (a) So far as is known to the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholders, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis;

- (b) So far as is known to the Directors, as at the Latest Practicable Date, there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM;
- (c) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda;
- (d) The head office and principal place of business of the Company in Hong Kong is Suite 2805, 28th Floor, Sino Plaza, 255–257 Gloucester Road, Causeway Bay, Hong Kong;
- (e) The company secretary of the Company in Hong Kong is Ms. Chan Yuen Ying Stella who is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. She is also a member of The Hong Kong Institute of Directors;
- (f) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and
- (g) Save for the "Financial Information of the Target Group" and the "Management Discussion and Analysis" as set out in appendices II and III to this circular, the English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hk603.com>) from the date of this circular up to and including the date of the SGM:

- (a) the written consents referred to in the section headed "7. EXPERTS AND CONSENTS" in this appendix;
- (b) the material contracts referred to in the section headed "5. MATERIAL CONTRACTS" in this appendix;
- (c) the report from PKF Hong Kong Limited, Certified Public Accountants on unaudited pro forma financial information of the Group following the Acquisition and the Further Acquisition, the text of which is set out in Appendix IV to this circular;

- (d) the circular of the Company dated 11 October 2021; and
- (e) the Share Transfer Agreements and the Further Share Transfer Agreements.

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## NOTICE OF THE SGM

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中油燃氣集團有限公司\*

CHINA OIL AND GAS GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 603)

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY** given that the Special General Meeting (the “**SGM**”) of the Company will be held at Suite 1518, 15th Floor, Xinhai International Business Centre, No. 9 Qianshan Road, Xiangzhou District, Zhuhai City, Guangdong Province, China on Wednesday, 27 October 2021 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

#### ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the share transfer agreement dated 10 August 2021 (the “**Share Transfer Agreement III**”) entered into between China Oil and Gas Investment Group Co., Ltd.\* (“**China Oil and Gas Investment**”) (中油燃氣投資集團有限公司) and Shandong Shengli Investment Co., Ltd.\* (山東勝利投資股份有限公司) in relation to the acquisition of a total of 61,500,000 shares of Shandong Shengli Co., Ltd. (the “**Target Company**”) at RMB5.23 per share, a copy of which was produced to this meeting and marked “A” and initialed by the chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the authorisation to any one of the directors of the Company (the “**Director(s)**”), or any other person authorised by the board of Director(s) (the “**Board**”) from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Share Transfer Agreement III and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Share Transfer Agreement III or the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.”

\* For identification purposes only

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## NOTICE OF THE SGM

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2. “**THAT:**

- (a) the share transfer agreement dated 10 August 2021 (the “**Share Transfer Agreement IV**”) entered into between China Oil and Gas Investment and Mr. Sun Guanjie\* (孫冠杰先生) in relation to the acquisition of a total of 27,023,600 shares of the Target Company at RMB5.23 per share, a copy of which was produced to this meeting and marked “B” and initialed by the chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the authorisation to any one of the Directors, or any other person authorised by the Board from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Share Transfer Agreement IV and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Share Transfer Agreement IV or the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.”

3. “**THAT:**

- (a) the share transfer agreement dated 10 August 2021 (the “**Share Transfer Agreement V**”) entered into between China Oil and Gas Investment and Mr. Yan Changyong\* (閻長勇先生) in relation to the acquisition of a total of 15,101,119 shares of the Target Company at RMB5.23 per share, a copy of which was produced to this meeting and marked “C” and initialed by the chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the authorisation to any one of the Directors, or any other person authorised by the Board from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Share Transfer Agreement V and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any



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## NOTICE OF THE SGM

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modifications, amendments, waivers, variations or extensions of the Share Transfer Agreement V or the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.”

4. “**THAT:**

- (a) the re-election of Mr. Gao Falian as an executive Director be and is hereby approved; and
- (b) the re-election of Mr. Wang Wenhua as an independent non-executive Director be and is hereby approved.”

By Order of the Board  
**China Oil And Gas Group Limited**  
**Chan Yuen Ying, Stella**  
*Company Secretary*

Hong Kong, 11 October 2021

*Head office and principal place of business in Hong Kong:*

Suite 2805, 28th Floor  
Sino Plaza  
255–257 Gloucester Road  
Causeway Bay  
Hong Kong

*Notes:*

1. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy needs not be a member.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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## NOTICE OF THE SGM

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5. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
6. For determining the identity of the Shareholders to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, 21 October 2021 to Wednesday, 27 October 2021 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 October 2021.
7. With respect to resolution no. 4 of this notice, Mr. Gao Falian and Mr. Wang Wenhua shall retire from the office of directorship and offer themselves for re-election in accordance with the Bye-laws. Details of their information which are required to be disclosed under the Listing Rules are set out in the circular of the Company dated 11 October 2021.
8. As at the date of this notice, the board of directors of the Company comprises three executive Directors, namely Mr. Xu Tie-liang (Chairman and Chief Executive Officer), Ms. Guan Yijun and Mr. Gao Falian; and three independent non-executive Directors, namely Mr. Wang Wenhua, Mr. Wang Guangtian and Mr. Yang Jie.