天津津燃公用事業股份有限公司

TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 1265

Annual Report 2017

CONTENTS

COMPANY INFORMATION

DIRECTORS

Executive Directors

Zhang Tian Hua *(Chairman)*
Wang Wen Xia
Tang Jie
Zhang Guo Jian
Hou Shuang Jiang

Non-executive Director

Li Da Chuan

Independent Non-executive Directors

Zhang Ying Hua
Yu Jian Jun
Guo Jia Li

INDEPENDENT SUPERVISORS

Xu Hui
Liu Zhi Yuan

STAFF REPRESENTATIVE SUPERVISORS

Hao Li
Feng Jin Hu

SHAREHOLDERS REPRESENTATIVE SUPERVISOR

Yang Hu Ling

COMPANY SECRETARY

Wong Yat Tung

AUTHORISED REPRESENTATIVES

Zhang Guo Jian
Wong Yat Tung

BOARD COMMITTEES

Audit Committee

Guo Jia Li *(Chairman)*
Zhang Ying Hua
Yu Jian Jun

Nomination Committee

Zhang Tian Hua *(Chairman)*
Zhang Ying Hua
Yu Jian Jun

Remuneration Committee

Zhang Ying Hua *(Chairman)*
Guo Jia Li
Hou Shuang Jiang

COMPANY INFORMATION

LEGAL ADDRESS

Weishan Road
Chang Qing Science, Industry and Trade Park
Jinnan District, Tianjin, PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 9, Gangao Tower,
No.18 Zhengzhou Road,
Heping District, Tianjin

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18F, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

AUDITORS

Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing, China 100738

HONG KONG LEGAL ADVISER

Lin and Associates
1501-2, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor,
Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

STOCK CODE

01265

FINANCIAL SUMMARY

	2017 RMB'000	2016 RMB'000
Revenue	**1,469,164**	1,198,149
Operating profit	**56,985**	33,104
Net profit attributable to shareholders of the Parent	**40,073**	37,659
Equity attributable to shareholders of the Parent	**1,749,638**	1,709,749
Total assets	**2,460,543**	2,361,732

	2017 RMB	2016 RMB
Earnings per share		
Basic RMB	**0.02**	0.02

CHAIRMAN'S STATEMENT

To all the shareholders (the "Shareholders") of the Company:

On behalf of the board (the "Board") of directors (the "Directors") of Tianjin Jinran Public Utilities Company Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 (the "Year" or the "Reporting Period" or the "Period").

The year 2017 has been a challenging year for the Company. We believe that the Group is on the right track to restore itself back to its full potential, and that the steps we are taking, including the hard work that goes behind them, will translate into sustainable growth and profitability, thereby creating value for all shareholders in year 2017.

DEVELOPMENT OF THE PRC GAS SECTOR

Improving living standards and increasing environmental consciousness in the People's Republic of China ("PRC") spur the country's demand for natural gas. Nonetheless, natural gas still plays a small role in the PRC's energy consumption structure. Presently, the PRC's annual per capita consumption of natural gas remained low comparing to global standard, but given the environmental benefits of using natural gas, the PRC has embarked on a major expansion of its gas infrastructure. We believe that the natural gas in the PRC will record a strong growth.

The fight against environmental pollution has topped the PRC's agenda for securing a sustainable economic growth. There has been high enthusiasm across the country to accelerate natural gas development. Piped natural gas is particularly the case given the strong growing demand in the PRC for a more convenient supply of clean fuel. As such, the piped natural gas market has entered into a stage of rapid growth.

In the Thirteenth Five-Year Plan, natural gas shall be the main source of energy in the future and shall lead the energy market in the future. Natural gas shall mitigate the energy shortage and environmental pollution of the PRC, and is an ideal energy for sustainable development.

All above factors provide the Group's core businesses with a strong impetus for further expansion, which in turn will enable the Group to enjoy a substantial share of the considerable gains to be made by the PRC's booming gas sector.

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT

A huge development of the century, the "West to East Natural Gas Pipeline Project" is undoubtedly a strong propellant for the gas related industries to upgrade their facilities, expand their markets and improve their efficiencies. It is also an obvious propeller for the Group's business advancement. In the wake of an abundant supply of gas resources, local gas operators in the PRC are taking initiatives to find long-term partnerships with strong gas listing enterprises of well-established brand names in order to strengthen their own competitiveness and increase their market share. The Group is taking full advantage of its brand strength and management edge to uncover more acquisition and joint venture opportunities. These efforts will enable the Group to continuously expand its market share, further strengthen its brand name and maximize the returns for shareholders.

PROSPECTS

At present, the major businesses of the Group located in Tianjin and Jining in the PRC. The economic conditions of these cities have been providing the chance of development for the Group's business.

With the full completion of West to East Natural Gas Pipeline Project and the implementation of specific projects like Natural Gas Supply from Sichuan to Eastern Part of China, Shaanxi to Beijing Gas Supply, East Ocean Gas Supply Onshore, Importation of Liquefied Natural Gas for Southern China, and the construction work of Russia Gas Supply to China to commence, natural gas market will develop rapidly all over the PRC.

It can be expected that the Group will continue to strengthen its piped gas business, consolidate its existing resources and further develop the natural gas pipelines market through mergers and acquisitions. The Group will also keep enhancing its corporate image as a comprehensive and professional gas services provider and increasing its core competitiveness in the gas sector.

APPRECIATION

I would like to take this opportunity to thank the Group's shareholders, customers and business associates for their continual supports and the Group's staff for their diligence and contribution during the past year. We are a company with a qualified and professional working team and I look forward to a more rewarding 2018 for the Group's shareholders.

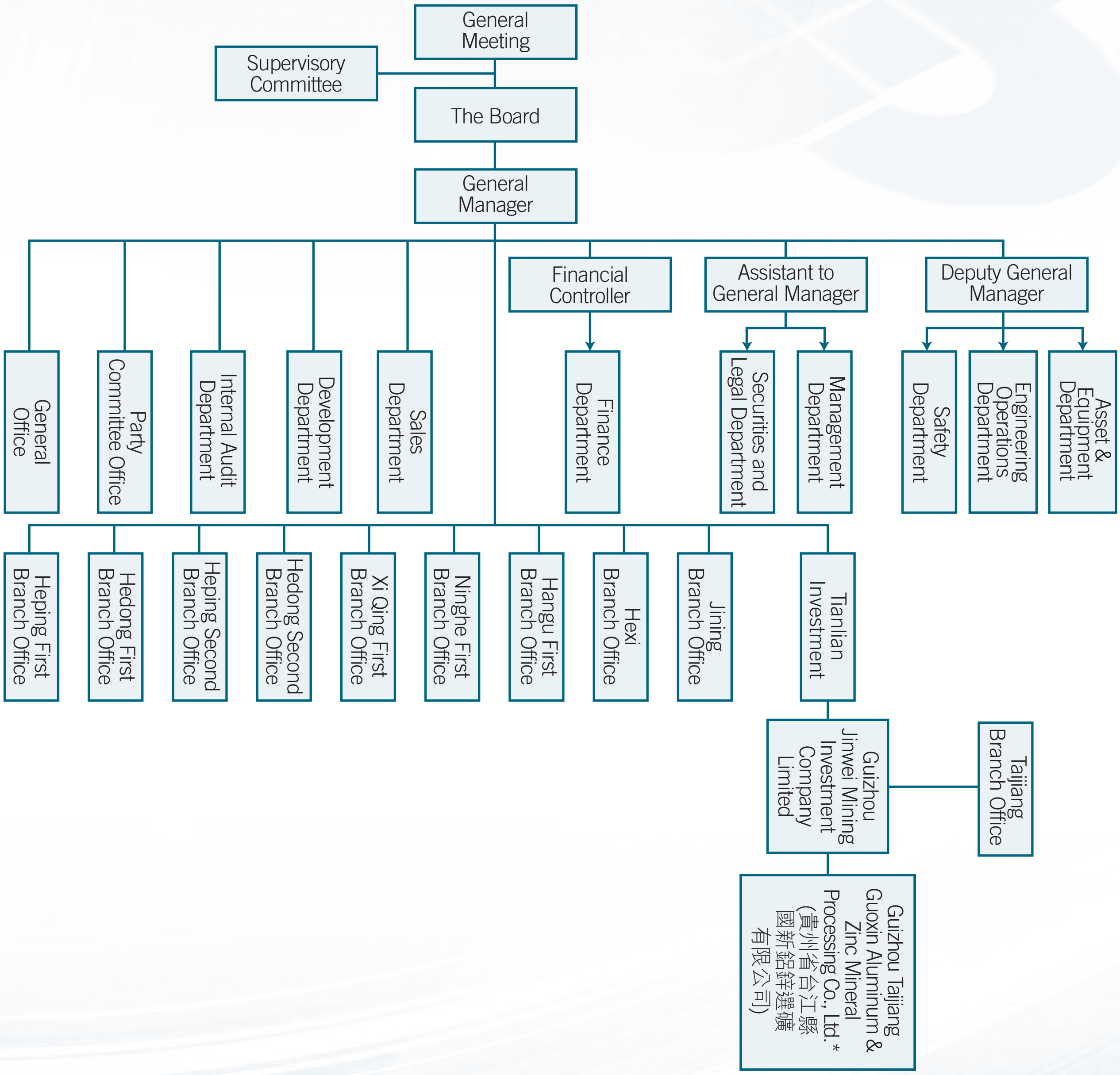
Zhang Tian Hua
Chairman

The PRC, 27 March 2018

The year ended 31 December 2017 was a challenging year for the Group to develop its natural gas business. We believe that the Group will strive to achieve a more satisfactory result for the Group's shareholders in year 2018.

MANAGEMENT STRUCTURE

In order to facilitate the Group's constant expansion and improvement, the Group has its management structure, as set out below:



Since the listing of the H shares ("H Shares") of the Company on the Stock Exchange on 9 January 2004, the Group has been growing rapidly in terms of the business scope and market coverage of its products and services.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the year of 2017, in order to maintain the sustainable development of the Group, the Board and the management have committed to, on one hand, developing new markets, and as the consumption of original users decreases, explore new gas users and, on the other hand, enhancing internal control and cost management, as well as taking the initiative to optimise management in business development, daily operations and compliance matters.

Principal Risks and Uncertainties

The Group's performance and business operation are effected by China's urban gas industry. Principal risks are summarised as follows:

Natural gas is one of the main sources of China's urban gas and its import dependence is increasing. As a result, China's urban gas supply is faced with considerable international Geo-Political Risk. Gas source development and transportation is highly monopolized. Although China has eased admission policy of the pipeline network, such situation will remain in short term and therefore the industry will face considerable risk of insufficient gas supply. Because of the dislocation of gas source and market, China's natural gas industry is faced with considerable security risk in pipeline transport. Gas purchase price of gas manufacturers and suppliers in China is regulated by National Development and Reform Commission (NDRC) and is facing policy risk in respect of changes in gas pricing mechanism. Gas consumption in winter increases due to its seasonal features, and thus China's gas enterprises are faced with the risk of gas undersupply. Global economic uncertainties and upgrading geopolitical conflicts and other issues remain the potential causes of global energy price fluctuation, thus China's urban gas operators will face gas purchase cost fluctuation.

Key Relationships

(i) Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees.

The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides pre-employment and on-the-job training and development opportunities to its staff members. The training programs cover areas such as managerial skills, sales and procurement, customer services, safety inspections and oversees, workplace ethics and training of other areas relevant to the industry. In addition, the Group seriously considers all those valuable feedback from its employees for enhancing workplace productivity and harmony.

Generally, a salary review is conducted annually. The Group makes contributions towards pensions, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for its employees in accordance with the applicable laws and regulations of the PRC. The Group also provides housing provident fund contributions as required by local regulations in the PRC.

(ii) Suppliers

The Group has developed long-standing relationships with a number of its suppliers and takes great care to ensure that they share the Group's commitment to quality and ethics. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, products qualities and quality control effectiveness. The Group also requires its suppliers to comply with the Group's anti-bribery policy.

(iii) Clients

The Group is committed to maintain and develop its diversified client portfolio consisting of industrial parks, major enterprises and residential users. The Group maximizes client value by offering professional services and effective operation model to intensify the interaction and viscosity between clients and the Group and enhances the client experience.

Environmental Policies

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize the environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group also requires its suppliers to operate in strict compliance with the relevant environmental regulations and rules.

As a leader in the clean energy development and supply industry, the Group has also devoted itself to social and environmental agendas and undertook various eco-protection responsibilities. The Group committed to reduce energy industry's impact on the environment by developing and providing clean energy, which also satisfied clients looking to meet their social and environmental responsibilities.

Compliance with Laws and Regulations

The Group's operations are mainly carried out in the PRC while the Company itself is listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the Year, the Group have complied with all the relevant laws and regulations in the PRC and Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Business Developments

In 2018, the Board will strive to bring vitality and innovation to the Company by deepening the promotion of value thinking way and efficiency-oriented concept as well as enhancing corporate governance in compliance with law, in order to take the Company's operation to a new level.

The Company will continue to focus on a balanced development of its natural gas business, and put more efforts to tap into the pipeline gas market through participation in the natural gas pipeline network projects in the local Chinese cities by merger or acquisition. It will carry on the survey, evaluation, negotiations of the existing projects and work hard to realize the business goals. The Company will keep on enhancing its financial control to reduce the operational cost and to maximize revenue from the operating projects. In addition, the Company will go on improving the corporate governance as a listed company through regular meetings according to the relevant rules of procedures concerning the general meeting of shareholders, meeting of directors and meeting of supervisors, so as to achieve the function of the governance structure; and keep up talents training and recruiting for smooth operation and development of its business while spreading a positive corporate culture and enhancing its management expertise.

FINANCIAL REVIEW

For the Year, the Group reported a revenue of approximately RMB1,469,164,000, representing an increase of approximately 23% as compared with the year ended 31 December 2016 (the "Previous Year"). The gross profit margin increased from approximately 2.47% for the Previous Year to approximately 4.24% for the year ended 31 December 2017. The profit before tax from continuing operations for the year ended 31 December 2017 amounted to approximately RMB52,482,000 (2016: approximately RMB47,968,000) representing an increase of approximately 9% from the Previous Year.

The improvement in financial performance of the Group was mainly attributable to (i) an increase in demand from certain major industrial and commercial customers of the Group for the Group's piped gas, as compared with the Previous Year; and (ii) an increase in gas connection income due to increased demand for piped gas connection services provided by the Group after the National Games hold in Tianjin. In the coming financial year, the Company will further enhance market expansion efforts, seize the opportunity of the shift from coal to gas, and explore profit growth points.

SEGMENTAL INFORMATION ANALYSIS

During the Year, the Group has continued to implement its formulated development strategies to provide piped gas connections, to the users in the Group's operational locations in Tianjin City and Jining, Inner Mongolia. Sales of piped gas is the major source of income for the Group, which is followed by gas connection, sales of gas appliances and gas transportation and rent.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group is generally funded by equity financing. As at 31 December 2017, the Group had no bank borrowings.

The Group mostly uses Renminbi in its ordinary business operation and it had not used any financial instrument for currency hedging purposes, as it considers that its exposure to fluctuations in exchange rates is only minimal.

The Group's gearing ratio (total liabilities to total asset rate) as at 31 December 2017 was approximately 0.29 (as at 31 December 2016: approximately 0.28).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities or guarantees (2016: Nil).

STAFF AND EMOLUMENT POLICY

As at 31 December 2017, the Group had a workforce of 836 full-time employees (2016: 892). The total employee costs were approximately RMB123,091,683 (2016: RMB117,603,000).

Emoluments of employees were determined by the common practice of the industry as well as individual performance of employees. In addition to regular salaries, the Group also paid discretionary bonus to eligible employees subject to the Group's operating results and individual performance of employees. The Group also made contributions to medical welfare and retirement funds as well as provided other benefits to all employees.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Development of the PRC Gas Sector

During the "13th Five – Year Plan", optimising energy structure and managing environmental pollution at the national level will be the most significant driving force for natural gas consumption in China. Since 2013, China has successively released such framework documents such as the Plan of Action for the Prevention of Air Pollution (《大氣污染防治行動計劃》), Detailed Rules for Implementation of the Action Plans for the Prevention and Control of Air Pollution in the Beijing-Tianjin-Hebei Region and the Surrounding Regions (《京津冀及周邊地區落實大氣污染防治行動計劃實施細則》), and the Plan for Strengthening the Prevention and Control of Atmospheric Pollution in Energy Industry (《能源行業加強大氣污染防治工作方案》). In November 2014, China and the USA issued a joint statement in respect of dealing with climate change in Beijing, formally proposing for the first time that China's carbon emissions will reach its peak in 2030 and China will put effort for early achievement. In accordance with the Action Plan for Energy Development Strategy (2014-2020) (《能源發展戰略行動計劃(2014-2020年)》) released by the State Council, the proportion of natural gas among primary energy consumption will increase to 10% or more by 2020.

The new Natural Gas Utilization Policy (《天然氣利用政策》) issued in 2013 further indicates the future development direction for China's natural gas utilization. In urban gas field, China's new urbanization is being promoted constantly. The annual average population of gasification is around 30 million people and national urban gasification rate will reach more than 60% by 2020. As a result, natural gas will become the main fuel of urban residents. In respect of the transportation area, natural gas will become the main fuel for most taxis in middle or small-scale cities. Buses in large and medium-scale cities will also gradually become clean gas-fueled. Liquefied natural gas (LNG) vehicles will further expand to intercity coaches and heavy trucks, and the application of LNG to ships and trains will begin. Natural gas will become a competitive fuel in public transportation. In respect of the industrial field, the progress of substituting natural gas as industrial fuel will be fully accelerated, especially in Bohai Bay Rim area, where coal-burning boilers will be substituted, and traditional industries, such as iron, steel and ceramics etc, will be upgraded so as to manage air pollution, and central and western regions where the industrial structure of traditional industries will be transferred to. As such, the natural gas consumption in industrial field will be promoted. In respect of natural gas power generation, natural gas peak power stations will be orderly developed and natural gas distributed energy development will be the priority in air pollution control districts such as Beijing, Tianjing, Hebei and Shandong, Yangtze River delta and the Pearl River delta. It is expected that by 2020, urban and industrial consumption will account for over 60% of the total gas consumption. Domestic and overseas consulting agencies forecast that natural gas consumption will reach 300 billion to 360 billion cubic meters by 2020.

Looking ahead, based on the analysis in respect of external environment and inner abilities as well as resources, the Company is positioned as a clean energy integrated solution provider, aiming to maximize returns for its shareholders. The Company plans to expand in the following areas:

- On the premise of ensuring the strategic direction and business needs, lay emphasis on five principles, which are strategic orientation, economical efficiency, financing matching, risk prevention and order of priority, to achieve continuing growth of net cash flows.

- Continue to improve the financial management system, with a view to reducing operating costs, and maximize the benefits from project operations.

- Continue to strengthen the support of scientific and technological innovation to the businesses of the Company, enhance the introduction and development of advanced technologies, as well as apply such advanced technologies to the production management and the internal management.

- Continue to improve the operation management system and mechanism, with emphasis on operation security, optimize management methods and means and promote the pre-control safety management, so as to ensure safe operation.

- Continue to strengthen the talent team construction, drive management change with strategic change, expand existing businesses with incremental business and inspire employees with entrepreneurial teams, so as to contribute a chain reaction to the corporation.

SIGNIFICANT EVENTS

Subscription of Wealth Management Products

On 22 February 2017, the Company entered into a wealth management agreement with 上海浦東發展銀行股份有限公司(天津分行)(Shanghai Pudong Development Bank Co., Ltd. (Tianjin Branch)*) (the "PDB Wealth Management Agreement") to subscribe for the 利多多對公結構性存款固定持有期產品(保證收益型)(Liduoduoduigong Structured Deposit Fixed-term Product) (Guaranteed Income)*) in the subscription amount of RMB200 million (equivalent to approximately HK$234 million as at 22 February 2017).

Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the PDB Wealth Management Agreement exceeded 5% but was less than 25%, the transaction contemplated under the PDB Wealth Management Agreement constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 22 February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

On 27 February 2017, the Company entered into a wealth management agreement with 天津濱海農村商業銀行股份有限公司（天津分行）(Tianjin Binhai Rural Commercial Bank Co., Ltd (Tianjin Branch)*) (the "Binhai Wealth Management Agreement") to subscribe for the 濱海金芒果穩健專屬人民幣理財計劃1701號4期 (Binhai Jinmangguo Stable RMB Financial product no. 1701 Series 4*) in the subscription amount of RMB200 million (equivalent to approximately HK$234 million as at 27 February 2017).

Since one or more of the relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the Binhai Wealth Management Agreement exceeded 5% but was less than 25%, the transaction contemplated under the Binhai Wealth Management Agreement constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 27 February 2017.

On 21 August 2017, the Company entered into a wealth management agreement with 中國農業銀行股份有限公司（天津分行）(Agricultural Bank of China Limited (Tianjin Branch)*) (the "Agricultural Bank of China Wealth Management Agreement") to subscribe for 中國農業銀行「本利豐」定向人民幣理財產品(Agricultural Bank of China "Benlifeng" oriented RMB Wealth Management Product*) in the subscription amount of RMB200 million (equivalent to approximately HK$234 million as at 21 August 2017).

Since the highest relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the Agricultural Bank of China Wealth Management Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Agricultural Bank of China Wealth Management Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 21 August 2017.

On 24 August 2017, the Company entered into wealth management agreements ("Wealth Management Agreement(s)") with Bank of China Limited and Ping An Bank Limited to subscribe for (i) the 中國銀行人民幣「按期開放」理財產品 (RMB "Open-ended Product with due dates" Product of BOC*); and (ii) 平安銀行對公結構性存款（掛鈎利率）產品(Structured Corporate Deposits (Interest rate linked) Product of Ping An Bank*), in the subscription amounts of RMB200 million (equivalent to approximately HK$234 million as at 24 August 2017) for each of the above subscriptions.

Since the highest relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under each of the Wealth Management Agreements exceeds 5% but is less than 25%, the transaction contemplated under each of the Wealth Management Agreements constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 24 August 2017.

On 30 August 2017, the Company entered into a wealth management agreement ("Qilu Bank Wealth Management Agreement") with 齊魯銀行股份有限公司 (Qilu Bank Company Limited*), to subscribe for 齊魯銀行「泉心理財」暢盈九州惠利787號人民幣理財產品 ("Quanxin" Wealth Management "Chang Ying Jiu Zhou Hui Li" No.787 RMB Wealth Management Product of Qilu Bank*) in the subscription amount of RMB200 million (equivalent to approximately HK$236 million as at 30 August 2017).

Since the highest relevant applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the Qilu Bank Wealth Management Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Qilu Bank Wealth Management Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 30 August 2017.

CONNECTED TRANSACTIONS

Continuing Connected Transactions in relation to the Gas Supply by Jinran Gas

On 17 March 2017, the Company entered into a supplemental agreement (the "Supplemental Agreement") with 津燃華潤燃氣有限公司 (Jinran China Resources Gas Co., Ltd*) ("Jinran Gas") to (1) a gas supply contract (the "2016 Gas Supply Contract") dated 31 October 2014 in respect of the supply of natural gas by Jinran Gas to the Company ("Gas Supply") for the twelve months ended 31 December 2016 and (2) a gas supply contract (the "2017 Gas Supply Contract") dated 31 October 2014 in respect of the supply of natural gas by Jinran Gas to the Company for the twelve months ended 31 December 2017, to revise the unit price of natural gas (the "Price") and the settlement date for the gas charge for the period commencing from 20 November 2016 to 15 March 2017.

Pursuant to the Supplemental Agreement, the Price was amended from approximately RMB2.655 per cubic metre (tax excluded) to RMB2.204 per cubic metre (tax excluded) with the annual caps for gas charge for 2016 Gas Supply Contract and 2017 Gas Supply Contract remaining unchanged. Accordingly, the respective maximum volume of gas supply under 2016 Gas Supply Contract and 2017 Gas Supply Contract will be adjusted.

Pursuant to the Supplemental Agreement, the settlement day for the gas charge by the Company based on the actual consumption of natural gas by the Group during each month was amended from the 25th day to the 10th day of month.

Further to the Supplemental Agreements, on 2 March 2018, the Company entered into the supplemental agreement to the 2017 Gas Supply Contract with Jinran Gas to agree on the unit price of natural gas provided by Jinran Gas to the Company for the period from 1 September 2017 to 31 December 2017 at approximately RMB2.104 per cubic metre (tax excluded, and being the weighted average of the unit price for the four months ended 31 December 2017). Details of the transaction are set out in the paragraph headed "Important events after reporting period" in this report.

Save as disclosed above, all the terms of the 2016 Gas Supply Contract and 2017 Gas Supply Contract remain unchanged.

For details, please refer to the announcement of the Company dated 31 October 2014, 17 March 2017 and 5 March 2018.

Continuing Connected Transaction in relation to the Gas Provision to Taihua Gas

As the gas provision contract dated 31 October 2014 in respect of the supply of natural gas by the Company to 天津泰華燃氣有限公司 (Tianjin Taihua Gas Co., Ltd.*) ("Taihua Gas") for the three years ended 31 December 2017 has expired on 31 December 2017, on 10 November 2017, the Company and Taihua Gas entered into a conditional gas provision contract ("New Taihua Gas Provision Contract") in respect of the supply of natural gas by the Company to Taihua Gas ("Gas Provision") for the three years ending 31 December 2020 with the annual caps not exceeding RMB205,872,975, RMB216,166,623.80 and RMB226,974,922.90, respectively, subject to the approval of the shareholders of the Company ("Shareholders").

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the annual caps for the New Taihua Gas Provision Contract for the year ending 31 December 2018, 31 December 2019 and 31 December 2020 exceed 5%, the New Taihua Gas Provision Contract will be subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

On 29 December 2017, the Board resolved to set an annual cap of RMB50,000,000 (the "Additional 2018 Cap") for the Gas Provision for the year ending 31 December 2018 before obtaining the approval of the independent Shareholders. All the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Additional 2018 is less than 5%.

Please refer to the Company's announcement dated 10 November 2017 and 29 December 2017.

For the latest progress of the Gas Supply and the Gas Provision, please refer to the paragraph headed "Important events after reporting period" in this report.

Connected Transaction in relation to Purchase of Gas Meters

On 18 October 2017, the Company entered into a purchase and sales agreement (the "Purchase and Sales Agreement") with 天津市裕民燃氣表具有限公司 (Tianjin Yumin Gas Meter Co., Ltd*) ("Tianjin Yumin"), pursuant to which Tianjin Yumin agreed to sell and the Company agreed to purchase 45,000 gas meters at an aggregate purchase price of RMB15,750,000 (equivalent to approximately HK$18,742,500 as at 18 October 2017).

Tianjin Gas is a controlling shareholder of the Company, and thus a connected person of the Company. Tianjin Yumin is a subsidiary of Tianjin Gas and thus also a connected person of the Company.

As one or more of the applicable percentage ratios for the Purchase and Sales Agreement were more than 0.1% but below 5%, the Purchase and Sales Agreement and the transaction contemplated thereunder were subject to the reporting and announcement requirements but were exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 18 October 2017.

Details of the continuing connected transactions and connected transactions of the Company are set out in the "Directors' Report" on pages 46 to 67 of this report.

IMPORTANT EVENTS AFTER REPORTING PERIOD

Continuing Connected Transactions in relation to the Gas Supply and Gas Transportation from Jinran Gas

Background

Jinran Gas, as the sole wholesale supplier of natural gas in the Tianjin City and part of the rural areas of Tianjin, where the Company operates, has been (1) supplying natural gas to the Company under the existing gas supply contract which has expired on 31 December 2017; and (2) transmitting natural gas via the Gangnan Pipeline owned and managed by the Company under the existing gas transportation contract which has also expired on 31 December 2017 ("Gas Transportation"). In the light of the new pricing directive issued by the Tianjin Development and Reform Commission (the "Commission") on 27 September 2017 (the "September Directive") which stipulates that the unit price applicable to the provision of natural gas by Jinran Gas to the Company is now subject to the commercial negotiation between Jinran Gas and the Company instead of subject to a directive price issued by the Commission from time to time just like the past.

Supplemental Agreements in relation to the 2017 Gas Supply Contract

Further to the Supplemental Agreements, on 2 March 2018, the Company entered into supplemental agreements to the 2017 Gas Supply Contract with Jinran Gas to agree on the unit price of natural gas provided by Jinran Gas to the Company for the period from 1 September 2017 to 31 December 2017. Pursuant to the 2017 Gas Supply Contract, the unit price of normal gas supplied by Jinran Gas to the Company was approximately RMB2.655 per cubic metre (tax excluded, and the price subject to adjustment in accordance with the direction of the Tianjin municipal price bureau from time to time). Jinran Gas and the Company agreed that the unit price of natural gas supplied by Jinran Gas to the Company for the period commencing from 1 September 2017 to 31 December 2017 was approximately RMB2.104 per cubic metre (tax excluded, and being the weighted average of the unit price for the four months ended 31 December 2017). Save as disclosed above, all the terms of the 2017 Gas Supply Contract remain unchanged.

For details, please refer to the Company's announcement dated 31 October 2014, 30 December 2014, 29 December 2017, 28 February 2018 and 5 March 2018, and the circular of the Company dated 12 December 2014.

Latest Progress

Due to an unexpected prolongation of the negotiation process on the pricing terms, Jinran Gas and the Company are unable to enter into the new contracts concerning the Gas Supply and the Gas Transportation for the three years ending 31 December 2020 ("New Contracts") on or before 1 January 2018 and comply with the independent shareholders' approval, reporting, annual review and/or announcement requirements, if applicable, under Chapter 14A of the Listing Rules. The prolongation is primarily caused by a sudden and drastic change in respect of the September Directive.

After the said expirations, the transactions in respect of the Gas Supply and the Gas Transportation ("Jinran Transactions") must continue as a matter of public interest and necessity, providing natural gas for residential and non-residential uses in Tianjin. New Contracts are needed to govern the Jinran Transactions starting from 1 January 2018.

As at the date of this report, the Company is still in negotiation with Jinran Gas on the terms of the New Contracts. For details, please refer the announcements of the Company dated 29 December 2017, 1 February 2018 and 28 February 2018.

The Company will provide further updates on the progress of the negotiation with Jinran Gas on the New Contracts from time to time and will comply with the requirements of reporting, announcement, annual review and/or independent Shareholders' approval, if applicable, under Chapter 14A of the Listing Rules accordingly if and when the New Contracts are executed.

Continuing Connected Transaction in relation to the Gas Provision to Taihua Gas

Supplemental Agreements to 2017 Taihua Gas Provision Contract

In the light of the September Directive, on 2 March 2018, the Company entered into supplemental agreements to the gas provision contract dated 31 October 2014 in respect of the Gas Provision for the year ended 31 December 2017 ("2017 Taihua Gas Provision Contract") with Taihua Gas to agree on the unit price of natural gas provided by the Company to Taihua Gas for the period from 1 September 2017 to 31 December 2017. Pursuant to the last pricing directive issued by the Commission before the September Directive, the directive price for the supply of natural gas by the Company to Taihua Gas was approximately RMB2.207 per cubic metre (tax excluded). Taihua Gas and the Company had agreed that the weighted average unit price of natural gas supplied by the Company to Taihua Gas was approximately RMB2.265 per cubic metre (tax excluded) for the period from 1 September 2017 to 31 December 2017. Save as disclosed above, all the terms of the 2017 Taihua Gas Provision Contract remain unchanged.

For details, please refer to the Company's announcements dated 31 October 2014, 30 December 2014 and 2 March 2018, and the circular of the Company dated 12 December 2014.

Supplemental Agreements to 2017 Taihua Gas Provision Contract

In view of the above situation, certain terms of the New Taihua Gas Provision Contract may be amended, subject to further negotiation between the Company and Taihua Gas. An extraordinary general meeting of the Company will be held for the purposes of considering and passing the resolutions in relation to the Gas Provision for the three years ending 31 December 2020.

For details, please refer to the notice of the extraordinary general meeting of the Company dated 23 March 2018.

Connected Transaction in relation to Purchase of Gas Meters

On 12 February 2018, the Company entered into a purchase agreement ("Purchase Agreement") with Tianjin Yumin, pursuant to which Tianjin Yumin agreed to sell and the Company agreed to purchase up to 45,000 gas meters at an aggregate purchase price of RMB15,615,000 (equivalent to approximately HK$19,362,600 as at 12 February 2018).

As one or more of the applicable percentage ratios for the Purchase Agreement, either on a standalone basis or when aggregated with the Purchase and Sales Agreement as referred to in the paragraph headed "Connected Transactions" above, are more than 0.1% but below 5%, the Purchase Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 12 February 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Subscription of Wealth Management Products

On 26 February 2018, the Company entered into a structured deposit agreement ("Everbright Bank Structured Deposit Agreement") with 中國光大銀行股份有限公司（天津分行）(China Everbright Bank Co., Ltd. (Tianjin branch)*), in respect of structure deposit in the subscription amount of RMB200 million (equivalent to approximately HK$247 million as at 26 February 2018).

As the highest relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the subscription amount under the Everbright Bank Structured Deposit Agreement exceed 5% but are less than 25%, the transaction contemplated under the Everbright Bank Structured Deposit Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules. For details, please refer to the Company's announcement dated 26 February 2018.

On 27 February 2018, the Company entered into a wealth management agreement ("Industrial Bank Wealth Management Agreement") with 興業銀行股份有限公司（天津分行）(Industrial Bank Co., Ltd (Tianjin branch)*) to subscribe for 興業銀行「金雪球」保本浮動收益封閉式人民幣理財產品 ("Golden Snowball" principal-guaranteed with floating return and closed-end RMB Wealth Management Product of Industrial Bank*) in the subscription amount of RMB200 million (equivalent to approximately HK$247 million as at 27 February 2018).

As the highest relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the subscription amount under the Industrial Bank Wealth Management Agreement exceed 5% but are less than 25%, the transaction contemplated under the Industrial Bank Wealth Management Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules. For details, please refer to the Company's announcement dated 27 February 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this report, the Company has five executive Directors, one non-executive Director, and three independent non-executive Directors. Their details are set out below:

Executive Directors

Mr. Zhang Tian Hua（張天華）, aged 54, is the chairman of the Board and an executive Director. He is a senior engineer, graduated from the Faculty of Energy and Chemical of Huadong Chemical College（華東化工學院）in 1984 and obtained a master's degree in Business Administration for Senior Management from Nankai University（南開大學）in 2009. From 1994 to 2000, he had been the deputy head of First Coal Gas Factory of Tianjin（天津市第一煤氣廠）and First Coal Gas Factory of Tianjin Coal Gas Group（天津市煤氣集團第一煤氣廠）. Prior to joining 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited*) ("Tianjin Gas") as a deputy chief engineer and the head of technology and equipment department in 2001, Mr. Zhang had been the manager of Tianjin Shanjin Mass Transit of Natural Gas Company Limited（天津市陝津天然氣集輸有限公司）from 2000 to 2001. From 2002 to 2011, he had been the chief engineer and the deputy general manager of Tianjin Gas. In 2007, Mr. Zhang was awarded special subsidy by the State Council. Mr. Zhang previously served as the general manager of Tianjin Gas and he is also deputy manager of 天津能源投資集團有限公司 (Tianjin Energy Investment Group Limited*) ("Tianjin Energy"), the intermediary holding company of Tianjin Gas. Mr. Zhang was appointed as an executive Director on 23 September 2011. Mr. Zhang is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. He is currently the chairman of the Board and the chairman of the Nomination Committee.

Ms. Tang Jie（唐潔）, aged 50, is an executive Director. Ms. Tang graduated from the Tianjin Institute of Finance（天津財經學院）(now known as the Tianjin University of Finance and Economics（天津財經大學）), majoring in accounting, in 1991. Ms. Tang is one of the promoters of the Company and had been working for the Company as an accountant and deputy general manager in the account department since December 1998. She had been appointed as a deputy general manager of the Company in 2001. Ms. Tang was appointed as an executive Director on 28 December 2001 and is responsible for making material decisions of the Company.

Mr. Zhang Guo Jian（張國健）, aged 45, in an executive Director. Mr. Zhang graduated from the Party School of Tianjin Municipal Party Committee（天津市委黨校）in September 2005, majoring in economics and management. Mr. Zhang has over 20 years of experience in the utilities sector. Prior to joining the Company, he worked in 天津市燃氣集團第一銷售分公司 (First Sales Branch of Tianjin Gas*) from 1995 to 2012. Mr. Zhang previously served as the assistant to the general manager and the deputy chief economist of Tianjin Gas and he had served as the party branch secretary and manager of the Company since 2013. Mr. Zhang has served as the general manager of the Company since 26 July 2013. Mr. Zhang Guo Jian was appointed as an executive Director on 1 November 2013.

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Hou Shuang Jiang（侯雙江）, aged 49, is an executive Director. Mr. Hou was awarded with a bachelor's degree in chemical engineering from Tianjin University of Technology*（天津理工大學）(formerly known as Tianjin Institute of Technology*（天津理工學院）) in July 1991. Mr. Hou has accumulated more than 19 years of experience in the finance and capital markets sector. Prior to joining the Company, Mr. Hou worked as an officer in 中鋼集團天津地質研究院 (Sinosteel Tianjin Geological Academy*, formerly known as 冶金部天津地質調查所 (Ministry of Metallurgical Industry Tianjin Geological Academy*)) from July 1991 to April 1996, the deputy manager of the sales department of 天津匯金期貨經紀公司 (Tianjin Huijin Futures Brokerage Company*) in Zhengzhou from April 1996 to December 1999. From December 1999 to May 2000, Mr. Hou acted as an investment consultant of Yingda Securities Co., Ltd.*（英大證券有限責任公司）. He was an investment consultant of Bohai Securities Co., Ltd*（渤海證券股份有限公司）from May 2000 to January 2013. From January 2013 to November 2013, Mr. Hou was the manager of the capital management department of 天津市津能投資公司 (Tianjin Jinneng Investment Company*). Mr. Hou has been the manager of the capital management department of Tianjin Energy, the intermediary holding company of Tianjin Gas since November 2013. Mr. Hou is a director of 津燃貿易諮詢有限公司 (Jinran Trading Consultancy Company Limited*), a wholly-owned subsidiary of Tianjin Gas. Mr. Hou is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. Mr. Hou was appointed as an executive Director on 3 March 2014.

Ms. Wang Wen Xia（王文霞）, aged 53, is an executive Director. Ms. Wang was awarded with a bachelor degree in urban gas and heat supply by the School of Architecture of Tianjin University*（天津大學建築分校）in July 1988 and is a senior engineer. Ms. Wang has accumulated more than 27 years of experience in the gas sector in the PRC. Prior to joining the Company, Ms. Wang had worked in the sales office of Natural Gas Company*（天燃氣公司）, a subsidiary of Tianjin Gas (a controlling shareholder of the Company), and the sales and technical department of Natural Gas Supply Company*（天燃氣供應公司）, a subsidiary of Tianjin Gas, during the period from July 1988 to November 2000. Ms. Wang had worked as a chief engineer and deputy manager of the First Sales Branch of Tianjin Gas from November 2000 to January 2003. During the period from January 2003 to November 2013, Ms. Wang had served various roles in Tianjin Gas, which includes the manager of the department of the distribution department, the manager of the department of resources management, the chief engineer of the distribution branch, the chairman of Gangyi Heat Supply Company*（港益供熱公司）. Since November 2013, Ms. Wang has served as the manager of the assets department of Tianjin Energy. Ms. Wang is also a director and/or supervisor of one or more subsidiaries of Tranjin Energy. Ms. Wang was appointed as an executive Director on 3 November 2014.

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Li Da Chuan（李大川）, aged 53, is a non-executive Director. Mr. Li was awarded with a master degree in business administration by the Tianjin University（天津大學）in January 2014. Mr. Li has accumulated more than 27 years of experience in the gas sector in the PRC. Prior to joining the Company, Mr. Li had served different roles in 天津市燃氣熱力規劃設計研究院有限公司 (Tianjin Gas Heat Planning and Design Institute*) (formerly known as 天津市煤氣工程設計院 (Tianjin Gas Engineering Design Institute*)), which is a wholly-owned subsidiary of Tianjin Gas (a controlling shareholder of the Company), and his positions include engineer, manager, director assistant and deputy director during the period from July 1988 to December 2002. Mr. Li worked as a deputy manager of Tianjin Public Utilities Construction Company*（天津市公用基礎設施建設公司）, a subsidiary of Tianjin Energy from December 2002 to April 2004, the deputy general manager of 天津能源投資集團科技有限公司（formerly known as 首創津燃燃氣投資有限公司 (Capital Group Jinran Gas investment Company Limited*)), a subsidiary of Tianjin Energy from April 2004 to July 2005. He had also held various management roles in First Sales branch of Tianjin Gas, Tianjin Heat Company*（天津市熱力有限公司）(a subsidiary of Tianjin Energy), Tianjin Chengan Heat Energy Company Limited*（天津市城安熱電有限公司）(currently a subsidiary of Tianjin Energy) and Tianjin Jinneng Investment Company Limited*（天津市津能投資公司）(currently a subsidiary of Tianjin Energy) from July 2005 to November 2013. Since November 2013, he has acted as the manager of the gas production department of Tianjin Energy, and the manager of the safety and environmental protection department of Tianjin Energy in 2017. Mr. Li is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. Mr. Li was appointed as the non-executive Director on 3 November 2014.

Independent Non-executive Directors

Mr. Zhang Ying Hua（張英華）, aged 68, is an independent non-executive Director. Mr. Zhang graduated from Tianjin University of Finance and Economics（天津財經大學）("TUFE"), majoring in the industrial management, in 1977. He obtained a master degree of Business Administration from the Oklahoma City University in 2001. He had been the deputy dean of the Faculty of Business, the head secretary general of the Communist Party of the Department of Corporate Management of TUFE from 2004 to 2007. He was the dean of the Faculty of Business of TUFE from 2007 and until 2010. Since then, Mr. Zhang has been a professor and doctoral advisor of the Department of Corporate Management of the Faculty of Business of TUFE, the dean of the Management Faculty and head of the management department of Zhujiang Management College*（珠江學院）of TUFE. He was awarded special subsidy by the State Council in 2009 to reward his contribution to the development of the study of society sciences to the PRC. Mr. Zhang was appointed as the independent non-executive Director on 16 June 2015.

* *For identification purposes only*

Mr. Yu Jian Jun（玉建軍）, aged 54, is an independent non-executive Director. Mr. Yu graduated from the School of Architecture of Tianjin University (now known as Tianjin Chengjian University（天津城建大學）), majoring in gas engineering, in 1986. Mr. Yu is a professor and master advisor. Mr. Yu currently served as a deputy head of the Department of Environment and Equipment, Faculty of Energy and Safety Engineering, Tianjin Chengjian University. He is a member of the China City Gas Society*（中國城市燃氣學會）and a member of its Technology Committee. Mr. Yu is the deputy head of the City Construction Committee of Tianjin Democratic Construction Association*（天津民主建國會城建委員會）, and an expert appointed by the Planning Office of Tianjin City*（天津市建設管理委員會）. Mr. Yu was appointed as the independent non-executive Director on 16 June 2015.

Mr. Guo Jia Li（郭家利）, aged 60, is an independent non-executive Director. Mr. Guo graduated from TUFE, majoring in Accounting, in August 1984. He had worked for Naval Air Force Jiaoxian Station of People's Liberation Army, and in the Tianjin City Hangu District Construction Company*（天津市漢沽區建築公司）from 1976 to 1980. Mr. Guo was the project manager of Tianjin Accounting Firm*（天津會計師事務所）from September 1984 to May 1995 and was the project manager of Tianjin Binhai Accounting Firm*（天津濱海會計師事務所）from May 1995 to May 1996. He was the deputy chief accountant of Tianjin Jiwei Accounting Firm*（天津吉威會計師事務所）from May 1996 to March 1997 and the chief accountant of Tianjin Licheng Accounting Firm*（天津利成會計師事務所）from March 1997 to January 2001. He served as chief accountant of the Tianjin branch of RSM Nelson Wheeler*（中瑞岳華會計師事務所）from January 2001 to November 2011. Since November 2011, Mr. Guo has been a partner of Tianjin branch of Shinewing Certified Public Accountants*（信永中和會計師事務所）(Special Ordinary Partnership). Mr. Guo was appointed as the independent non-executive Director on 16 June 2015.

SUPERVISORS

The Company has established a supervisory committee ("Supervisory Committee") whose primary duty is to supervise the discharge of the duties of the senior management of the Company, including the Board, managers and senior officers. The function of the Supervisory Committee is to ensure that the senior management of the Company acts in the interests of the Company, its shareholders and employees and does not perform acts which violate PRC laws or the articles of association of the Company (the "Articles of Association"). The Supervisory Committee reports to the shareholders in general meetings. The Articles of Association provides the Supervisory Committee with the right to investigate the Company's financial affairs, to carry out supervision to ensure that the Directors, managers and other senior management personnel of the Company do not act in contravention of any laws, administrative regulations or the Articles of Association in the performance of their duties, to request that any activities harmful to the interests of the Company or the Directors, managers or other senior management of the Company be corrected, to propose the convening of extraordinary general meetings of shareholders; to exercise other powers of office stipulated in the Articles of Association, and in appropriate cases, to appoint on behalf of the Company solicitors, certified public accountants or certified practicing auditors to provide assistance when the Supervisory Committee exercise its power.

The Supervisory Committee currently comprises of five supervisors (the "Supervisor(s)"), one of whom is a Shareholders representative Supervisor, two of whom are independent Supervisors and another two of whom are representatives of the employees. The members of the Supervisory Committee as at the date of this report are:

* *For identification purposes only*

Shareholders Representative Supervisor

Mr. Yang Hu Ling（楊虎嶺）, aged 57, is a shareholders representative supervisor. Mr. Yang graduated from Wuxi Light Industry College*（無錫輕工業學院）in July 1983 with a bachelor degree, majoring in Chemical Engineering and is a senior accountant. Since August 1983, he worked in The Tianjin Municipal Economic Committee*（天津市經濟委員會）, The First Light Industry Bureau of Tianjin City*（天津市第一輕工業局）, The Tianjin Municipal Finance Bureau*（天津市財政局）, Tianjin Huajin Accounting Firm*（天津華錦會計師事務所）, Tianjin Accounting Firm and Tianjin Wuzhou Certified Public Accountants*（天津五洲聯合合夥會計師事務所）. Mr. Yang held various positions in Tianjin Jinneng from December 2001 to November 2013, and as the deputy head/manager of the discipline inspection chamber (audit and inspection department) of Tianjin Energy from November 2013 to December 2014. He has been the deputy head/manager of the discipline supervision chamber (audit department) of Tianjin Energy since December 2014, and the deputy manager of the audit department of Tianjin Energy in January 2017. Mr. Yang is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. Mr. Yang was appointed as a Shareholders representative Supervisor on 16 June 2015.

Independent Supervisors

Ms. Xu Hui（許暉）, aged 51, is an independent supervisor. Ms. Xu has obtained a doctoral degree in Management in Nankai University in June 2002 and is a professor and postdoctoral fellow in the Project Management Postdoctoral Research Workshop*（管理工程博士後研究工作站）of Tianjin University. From January 1997, Ms. Xu has been teaching in the Department of Marketing, Faculty of Business, Nankai University. She is a member of the China Association of International Trade*（中國國際貿易學會）and the Tianjin Association of International Trade*（天津市國際貿易學會）. Ms. Xu was appointed as an independent Supervisor on 16 June 2015.

Mr. Liu Zhi Yuan（劉志遠）, aged 54, is an independent supervisor. Mr. Liu graduated from Qinghai Normal Collage*（青海師範學院）(the predecessor of Qinghai Normal University*（青海師範大學）), majoring in physics, in 1982. He obtained master and doctorate degree in Business Administration from Nankai University*（南開大學）in 1987 and 1994 respectively. Since June 1987, Mr. Liu has been working in the Faculty of Business, Nankai University and is currently a deputy dean of the Faculty. He currently serves as an independent director of Hisense Electric Company Limited*（青島海信電器股份有限公司）(SH Stock Code: 600060), Zhejiang China Commodities City Group Company Limited*（浙江中國小商品城集團股份有限公司）(SH Stock Code: 600415) and Tianjin Realty Development (Group) Company limited*（天津市房地產發展（集團）股份有限公司）(SH Stock Code:600322), whose shares are listed on the Shanghai Stock Exchange (the "SSE"). Mr. Liu has also served as an independent executive director of Shanghai Fudan Forward Science & Technology Company limited*（上海復旦復華科技股份有限公司）(SH Stock Code: 600624) listed on the SSE from 30 June 2009 to 27 October 2015; an independent executive director of Luxshare Precision Industry Company limited*（立訊精密工業股份有限公司）(SZ Stock Code: 002475) listed on Shenzhen Stock Exchange (the "SZSE") from 22 February 2009 to 17 April 2015; and an independent executive director of Tianjin Motor Dies Company Limited*. Mr. Liu was appointed as an independent Supervisor on 22 June 2016.

* *For identification purposes only*

Staff Representative Supervisors

Ms. Hao Li（郝力）, aged 48, is a staff representative Supervisor. Ms. Hao graduated from the School of Tianjin Committee of the Communist Party（中共天津市委黨校）, majoring in economics and management, in 2005. She worked in the planning department of Tianjin Gas from 1988 to 2005, and subsequently joined the Company and worked in the management department. Ms. Hao was appointed as a Supervisor on 25 June 2007.

Mr. Feng Jinhu（馮金虎）, aged 58, is an staff representative supervisor. Mr. Feng is an assistant economist, graduated from Tianjin Hongqiao District Workers College*（天津市紅橋區職工大學）in 1990 majoring in business management. Mr. Feng has been working for Tianjin Gas Group Company Limited（天津市燃氣集團有限公司）or its predecessors, or their subsidiaries since November 1976. Mr. Feng joined the Company in 2008 and served as head of the engineering safety department of the Company since July 2014, where he is responsible for various management roles in the engineering safety department, overseeing the schedule, quality, cost and safety of engineering projects, and ensuring that the engineering projects are in line with the development conditions of the Company. Mr. Feng was appointed as a staff representative Supervisor on 14 September 2015.

COMPANY SECRETARY

Mr. Wong Yat Tung（黃日東）, aged 45, is a manager of SW Corporate Services Group Limited. He has more than eight years of extensive experience in providing company secretarial services to private and listed companies. He currently serves as the company secretary and joint company secretary of companies listed on the Stock Exchange. He holds a Degree in Quantitative Analysis for Business from City University of Hong Kong and Master of Corporate Governance from the Hong Kong Polytechnic University. Mr. Wong is an Associate of The Hong Kong Institute of Chartered Secretaries and an Associate of The Institute of Chartered Secretaries and Administrators. Mr. Wong was appointed as the Company Secretary of the Company on 16 December 2015.

* *For identification purposes only*

SENIOR MANAGEMENT

Mr. Guo Senlin (郭森林), aged 50, is the deputy general manager of the Company. Mr. Guo graduated from the School of Architecture of Tianjin University (天津大學建築分校) (now known as Tianjin Chengjian University (天津城建大學)) in 1989, majoring in urban gas and heat supply engineering. Mr. Guo acted as a director and deputy general manager of Tianjin Binhai Gas Group Company Limited from 2012 to 2015, and he also concurrently worked as the director, general manager and deputy general manager of its several subsidiaries respectively. Mr Guo served as the officer of liquefied natural gas projects department of Tianjin Energy Investment Group Limited from 2014 to 2015 and the deputy manager of the safety and environmental protection department from 2015 to 2017. Mr Guo has been appointed as the deputy general manager of the Company since February 2017.

Ms. Wang Li Ping (王莉萍), aged 52, is a financial controller of the Company. Ms. Wang graduated from Tianjin Institute of Finance, the PRC in 1985. She is an accountant. She was the deputy head of the Financial Department of Tianjin Gas from 2004 to 2005, and has been the manager of the Finance Department of the Company thereafter. Ms. Wang is currently the financial controller of the Company.

Mr. Sun Xue Gang (孫學剛), aged 42, is a deputy general manager of the Company. Mr. Sun graduated from the Tianjin Institute of Finance, the PRC, majoring in economic information management, in 1997. Between 1997 and 2006, he worked for Tianjin Water Works Group Company Limited (天津市自來水集團有限公司) and had successively been a management cadre in the human resources department and a vice party secretary, and had been a deputy manager of Tianjin Water Works Group Company Limited retail branch in the northern part of Tianjin. He was appointed as a deputy general manager of the Company in 2006. He was appointed as a Supervisor on 25 June 2007, and resigned on 16 June 2015.

Ms. Ma Xin (馬欣), aged 35, the assistant to general manager of the Company is a certified public accountant of the PRC. Ms. Ma obtained a Bachelor degree in International Economics and Trade in 2006 and a Master degree in Logistics in 2008 from Nankai University. From July 2008 to May 2013, Ms. Ma had been a senior auditor of Deloitte Touche Tohmatsu Certified Public Accountants LLP. Ms. Ma was appointed as an assistant to general manager of the Company on 21 February 2017.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

The Company's corporate governance practices are based on the code provisions as set out in Appendix 14 to the Listing Rules.

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the Year.

Details of the Company's corporate governance are summarized below.

KEY CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

The Board

Roles of Directors

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for appointing and supervising senior management to ensure that the operations of the Group are conducted in accordance with the objectives of the Group. The principal roles of the Board are:

- to lay down the Group's objectives, strategies, policies and business plan;
- to monitor and control operating and financial performance through the determination of the annual budget; and
- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

The Board is directly accountable to the shareholders and is responsible for preparing the accounts.

The Board has delegated the day-to-day management responsibility to the management staff under the instruction/supervision of General Manager and various Board committees. All Board members have separate and independent access to the Company's management to fulfill their duties, and upon reasonable request, to seek independent professional advice under appropriate circumstances and at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. Meeting agenda accompanied by relevant Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of a Board meeting. Minutes of board meetings and meetings of board committees, which recorded in sufficient detail the matters considered by the Board and decisions reached thereat, including any concerns raised or dissenting views expressed by any Director, are kept by the company secretary and open for inspection by the Directors.

During the Reporting Period, the Board maintained a high level of independence, with one-third of the Board comprising independent non-executive Directors, who had exercised independent judgments. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of the Directors are disclosed.

Board of Directors

Composition of the Board

As at the date of this report, the Board consists of 9 members, comprising 5 executive Directors namely Mr. Zhang Tian Hua (Chairman), Ms. Wang Wen Xia, Ms. Tang Jie, Mr. Zhang Guo Jian and Mr. Hou Shuang Jiang, 1 non-executive Director namely Mr. Li Da Chuan, and 3 independent non-executive Directors namely Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li. Biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management"on page 21 to page 27 of this report.

The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group. The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules for the Period. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

During the Period, the Board maintained a high level of independence, with one-third of the Board comprising independent non-executive Directors, who had exercised independent judgments.

No Directors, Supervisors and senior management have any relations among one another (including financial, business, family or other material or related relations).

Chairman and Chief Executive Officer

As at the date of this report, Mr. Zhang Tian Hua serves as the Chairman of the Company. The Company does not have a chief executive officer. The General Manager (currently Mr. Zhang Guo Jian) acts as the leading officer of the Group in executing the business and other policies and strategies laid down by the Board.

Appointment, Re-election and Removal of Directors

The Company has established the Nomination Committee on 29 March 2012. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The Board has adopted its board diversity policy (the "Board Diversity Policy"). All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experience are appropriate for the businesses of the Group.

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 16 June 2015 and ending on the conclusion of the forthcoming annual general meeting of the Company. All the service contracts entered into between the Company and Directors may be terminated by either party by giving at least three months' written notice.

Every Director is subject to re-election on change of session of the Board in accordance with the applicable laws and regulations of the PRC. A new session of the Board and the Supervisory Committee will be elected at the forthcoming annual general meeting of the Company.

Board Meetings and Procedures

The proceedings of the Board are well defined and follow all the code provisions of the Code.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings.

All Directors also have access to the Company Secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. Meeting agenda accompanied by relevant Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of a Board meeting. Minutes of board meetings and meetings of board committees, which recorded in sufficient detail the matters considered by the Board and decisions reached thereat, including any concerns raised or dissenting views expressed by any Director, are kept by the Company Secretary and open for inspection by the Directors.

Regular Board meetings are held normally every 3 months, with additional meetings arranged, if and when required. 5 Board meetings were held in 2017. Individual attendance records are set out below.

Board Meetings and General Meetings Attendance

	No. of board meetings attended by each Director during the Year 2017	No. of general meetings attended by each Director during the Year 2017
Executive Directors		
Zhang Guo Jian	5	2
Tang Jie	4	2
Zhang Tian Hua *(Chairman)*	5	2
Wang Wen Xia	4	0
Hou Shuang Jiang	4	0
Non-executive Director		
Li Da Chuan	4	0
Independent Non-executive Directors		
Zhang Ying Hua	4	1
Yu Jian Jun	5	0
Guo Jia Li	5	0

Certain Directors were not able to attend the general meetings held in 2017 due to their unavoidable business engagements.

CORPORATE GOVERNANCE REPORT

During 2017, the Board has addressed the following major issues, among other things:

1. passing the resolution in respect of withdrawing the enterprise reserve, the staff incentive and welfare fund and the enterprise development fund

2. passing the resolutions in respect of entering into supplemental agreements with Jinran Gas and Taihua Gas, respectively

3. passing the resolutions in respect of the supply of natured gas by the Company to Taihua Gas for the three years ending 31 December 2020

4. passing the resolution in respect of determining the annual remuneration of the senior management

5. passing the resolution in respect of the proposals for the approval of the Company's shareholders regarding (i) the alignment in the preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises; (ii) the amendments to the articles of association of the Company in relation to the said change in accounting standard and; (iii) termination of Ernst & Young as the international auditors of the Company and appointing Ernst & Young Hua Ming LLP as the sole auditors of the Company

Directors are free to contribute alternative views at meetings and major decisions would only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution. Minutes of the Board and committee meetings are prepared after the meetings and are kept by the Company Secretary and are open for inspection by the Directors.

All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with, and advising the Board on compliance matters.

Directors' Duties

Every Director is kept abreast of his responsibilities as a director of the Company and of the conduct, business activities and development of the Company:

- A comprehensive director's handbook is issued to every Director, which sets out guidelines on conduct by making reference to the relevant sections of the statutes or the Listing Rules, and reminds Directors of their responsibilities in making disclosure of their interests and potential conflict of interests.

- Orientation programmes are organised for providing induction to new Directors to help them familiarise with the Company's management, business and governance practices.

- Management provides appropriate and sufficient information to Directors and the committee members in a timely manner to keep them apprised of the latest development of the Group and enable them to discharge their responsibilities. Directors also have independent and unrestricted access to senior executives of the Company.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Code. As at the date of this Report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Code disclosures requirements.

Conduct on Share Dealings

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard of dealings as referred to in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules.

The Company, having made specific enquiries to its Directors and Supervisors, confirms that, throughout the Period, all Directors and Supervisors met the criteria laid down in the said code for securities transactions by Directors and Supervisors.

Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent to the Company.

Directors' Induction and Continuous Professional Development

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statutes, laws, rules and regulations, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Pursuant to code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Year, the Directors regularly updated and refreshed their knowledge and skills through various means including but not limited to attending management briefings, trainings, seminars, giving speech or attending other professional development like reading articles, researches, journals and legal and regulatory updates provided by the Company. In addition, all Directors have been given guideline materials regarding duties and responsibility of being a director, relevant laws, regulations and rules applicable to directors of listed companies. The Company has received confirmation from all Directors in respect of their training records for the year ended 31 December 2017.

According to the records provided by the Directors, a summary of training received by the Directors since 1 January 2017 up to 31 December 2017 is as follows:

	No. of training sessions attended/ received by each Director
Executive Directors	
Zhang Guo Jian	1
Tang Jie	1
Zhang Tian Hua *(Chairman)*	1
Wang Wen Xia	1
Hou Shuang Jiang	1
Non-executive Director	
Li Da Chuan	1
Independent non-executive Directors	
Zhang Ying Hua	1
Yu Jian Jun	1
Guo Jia Li	1

Board Committees

The Board is supported by three committees as at the date of this report, namely the Remuneration Committee, Nomination Committee and Audit Committee. Each of them has defined terms of reference covering its duties, powers and functions.

The Board and the committees are provided with sufficient resources to discharge their duties including, retention of outside advisers, if necessary, at the cost of the Company, to provide advice on any specific matter.

All committees comprise non-executive Directors. The chairmen of the respective committees report regularly to the Board, and, as appropriate, make recommendations on matters discussed. The governance structure and meetings attendance record of the Committees are set out below.

	Major roles and functions	Composition during 2017	Attendance in 2017
Audit Committee	• To make recommendation to the Board on the appointment, reappointment and removal of external auditor • To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards • To develop and implement policy on the engagement of an external auditor to supply non-audit services and monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and significant financial reporting judgments contained in them • To oversight the Company's financial reporting system, risk management and internal control systems	Guo Jia Li *(Chairman)* Zhang Ying Hua Yu Jian Jun	2 1 2

Total number of meetings held in 2017: 2

	Major roles and functions	Composition during 2017	Attendance in 2017
Remuneration Committee	• To consult the chairman of the Board about their remuneration proposals for other executive Directors • To make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management • To determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management	Zhang Ying Hua *(Chairman)*	1
		Hou Shuang Jiang	2
		Guo Jia Li	2
Total number of meetings held in 2017: 2			
Nomination Committee	• To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis • To identify individuals suitably qualified to become Board member and assess the independence of independent non-executive Directors	Zhang Tian Hua *(Chairman)*	1
		Zhang Ying Hua	0
		Yu Jian Jun	1
Total number of meetings held in 2017: 1			

Audit Committee

During 2017, the Audit Committee met 2 times and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2016 and interim financial results and report for the six months ended 30 June 2017;

2. reviewed the internal audit department's report regarding the reviewing and procedures of the internal control and risk management of the Company; and

3. considered and discussed the resignation and appointment of auditors and provided advice thereon to the Board.

The Audit Committee had also reviewed this annual report, and confirmed that this annual report complies with the applicable standard, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

Remuneration Committee

During 2017, the Remuneration Committee met 2 times and performed the major works as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the Directors and senior management in the Year under review;

2. determined the remuneration packages of individual executive directors and senior management; and

3. reviewed and confirmed no Directors is involved in deciding his own remuneration, no compensation claimed to the Company by Directors and senior management for any loss or termination of office or appointment and no compensation arrangements relating to dismissal or removal of directors for misconduct.

Nomination Committee

During 2017, the Nomination Committee met 1 time and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. assessed the independence of all independent non-executive Directors; and

3. examined the Board in compliance with the requirements of the board diversity policy.

Remuneration of Directors and Senior Management

The Group paid or accrued total Directors' remuneration amounts (including fees, basic salaries, performance related incentive payment and retirement benefit scheme contributions) of approximately RMB nil, RMB nil, RMB50,000, RMB nil, RMB nil, RMB nil, RMB50,000, RMB50,000 and RMB50,000 to Mr. Zhang Tian Hua, Ms. Wang Wen Xia, Ms. Tang Jie, Mr. Zhang Guo Jian, Mr. Hou Shuang Jiang, Mr. Li Da Chuan, Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li respectively, for the Year. The remuneration received by Mr. Zhang Guo Jian during the year as the general manager of the Company amounted to approximately RMB442,137. Ms. Wang Wen Xia, Mr. Hou Shuang Jiang, Mr. Zhang Tian Hua, Mr. Zhang Guo Jian and Mr. Li Dachuan. waived their director remuneration from 1 January 2016.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2017, save as Ms. Wang Wen Xia, Mr. Hou Shuang Jiang, Mr. Zhang Tian Hua, Mr. Zhang Guo Jian and Mr. Li Da Chuan, there was no arrangement in which the Directors waived their remuneration.

Details of remuneration paid to members of senior management during the year falls within the following bands:

	Number of Individuals:
RMB100,000 to RMB500,000	3

Company Secretary

The manager of SW Corporate Services Group Limited Mr. Wong Yat Tung has been appointed as the company secretary of the Company (the "Company Secretary") on 16 December 2015 and has taken no less than 15 hours of relevant professional training during the Year and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The primary contact person of Mr. Wong Yat Tung at the Company is Ms. Ma Xin, the assistant to general manager.

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and responsibility of the Company Secretary is to ensure the board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of discloseable transactions, connected transactions and inside information. The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association at appropriate times. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance code so as to bring the best long term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company at appropriate times. The Company Secretary is also responsible for supervising and managing the Group's relationship with investors.

Accountability and Audit

Financial Reporting

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flow for the year. All the Directors acknowledge their responsibility for preparing the financial statements. In preparing the accounts for the Year, the Directors have:

- selected suitable accounting policies and applied them consistently; and

- made judgements and estimates that are prudent and reasonable; and ensured the accounts are prepared on the going concern basis.

The Company recognises that high quality corporate reporting is important in reinforcing the trustworthy relationship with the Company's stakeholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Company are announced in a timely manner within the required limits after the end of the relevant periods.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on page 68 to page 73. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Risk Management and Internal Controls

The Board, through the Audit Committee, has reviewed the effectiveness of the Company's system of risk management and internal controls over financial, operational and compliance issues for the year 2017. The Audit Committee concluded that, in general, the Company has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group in 2017, fully complied with the code provisions on risk management and internal controls as set forth in the Code.

The Company has formulated and implemented its risk management and internal control system. The Board is the decision making body responsible for reviewing the effectiveness of its risk management and internal control systems. The Audit Committee has reviewed the internal audit department's report regarding the reviewing and procedures of the internal control and risk management of the Company. The Company has set up risk management, internal control and internal audit departments with sufficient staff which report to the Audit Committee. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management and internal control covering corporate governance, financial management, comprehensive management of human resource, intellectual property, contract management, procurement management, litigation management, asset management and sales management is designed to effectively ensure the effective operation of our business activities, improve the internal control system of the Company, establish the system of risk identification and assessment, and facilitate the effective control of risks through the implementation of various policies; to safeguard the security and integrity of the Company's assets; to prevent, identify errors and frauds and correct them when any occurs so as to ensure the truthfulness, legality and integrity of our accounting information.

Based on the review and evaluation of risk management and internal control of the reporting period, the Board takes the view that the risk management and internal control of the Company are effective.

The Company conducts an annual risk evaluation to identify major risks and to perform risk management duties. The Company has designed measures to tackle major risks combined with its internal control system and periodically monitors its implementation to ensure adequate care, monitor and tackling of major risks.

The Company has constantly supervised and evaluated its internal control, conducting comprehensive and multi-level checks including regular test, enterprise self-examination and auditing check so as to resolve material defects in internal control.

The Company has established an Internal Audit Department comprising an internal audit manager, which is responsible for the internal auditing and supervising of the business activities of the Company, and also performs its duty as a party in the discussion about economic activities and decision making in relation to our projects, so as to ensure the integrity, reasonableness of the Company's internal control system and the effectiveness of its implementation.

The Investing and Financing Department is responsible for advising on the necessity of performing the obligation of information disclosure, the definition of connected transaction and the legality of contract substance.

The Company has maintained a good information disclosure mechanism. While keeping highly transparent communications with investors and analysts, the Company attaches great importance to the handling of inside information.

External Auditors

Ernst & Young Hua Ming LLP has been appointed as auditors of the Company with effect from 29 December 2017 to fill the casual vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The Group's external auditors are Ernst & Young Hua Ming LLP. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguard independence of the auditors, and it has:

- determined the framework for the type and authorisation of non-audit services for which the external auditors may provide. In general, the engagement of the external auditors to perform non-audit services is prohibited except for tax-related services; and

- agreed with the Board on the policy relating to the hiring of employees or former employees of the external auditors and monitored the applications of such policy.

During 2017, the fees paid to the Company's external auditors for audit services amounted to approximately RMB900,000 and for non-audit related activities (which are the fees for agreed upon procedures on accounts) amounted to approximately RMB200,000.

The Group has not employed any staff who was formerly involved in the Group's statutory audit.

Investor Relations

The Company places great emphasis on its relationship and communication with investors. In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website http://www.hklistco.com/1265 as a channel to facilitate effective communication with its shareholders and the public.

Communications with Shareholders and Investors

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation.

The Company's annual general meeting allows the Directors to meet and communicated with shareholders. The Company ensures that shareholders' views are communicated to the Board. The Chairman of the annual general meeting proposes separate resolutions for each issue to be considered.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders can make enquiries directly to the Company through written enquiries or requests in respect of their rights to the following principal place of business of the Company:

Address:
Floor 9, Gangao Tower,
No.18 Zhengzhou Road,
Heping, District
Tianjin, PRC
Tel No.: (86) 022-87569972
Fax No.: (86) 022-87569971

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY MEETING

Pursuant to Article 54(3) of the Articles of Association, where shareholders holding an aggregate of 10 percent or more of the issued shares of the Company vested with voting rights request in writing to convene an extraordinary general meeting, the board of directors shall convene an extraordinary general meeting within two months thereof.

Pursuant to Article 75 of the Articles of Association, Shareholders who request to convene an extraordinary general meeting or a class shareholders' meeting shall follow the procedures below:

(1) Shareholder(s) who hold(s) in aggregate 10 per cent or more of the shares vested with voting rights in such a meeting may sign one or several written requisitions in the same form requesting the board of directors to convene an extraordinary general meeting or a class shareholders' meeting, and the subject matter of the meeting shall be specified. Upon receipt of the said written requisitions, the board of directors shall convene an extraordinary general meeting or a class shareholders' meeting as soon as possible. The calculation of the number of shares held as aforesaid shall be made as at the date of the written requisitions.

(2) If the board of directors fails to give notice of meeting within 30 days of the receipt of the aforesaid written requisitions, the shareholders making such requests may convene a meeting within four months of the receipt of the said requisitions by the board of directors. The procedure for convening the meeting shall, as far as possible, be the same as those for convening a shareholders' meeting by the board of directors.

All reasonable expenses incurred in convening and holding a meeting by the shareholders as a result of the failure of the board of directors to convene such meeting upon the aforesaid requisitions shall be borne by the Company and the same shall be deducted from outstanding payments due to the directors who are in default.

PROCEDURES FOR SHAREHOLDERS' ENQUIRES TO BE PUT TO THE BOARD

Pursuant to Article 47 of the Articles of Association, among others, a holder of ordinary shares of the Company shall enjoy the following rights:

- to supervise and manage the business, operation and activities of the Company, and to make proposals or enquiries in relation thereto;

- to receive information in accordance with provisions of the Articles of Association, including:

  A. the Articles of Association upon payment of the cost thereof;

  B. upon payment of reasonable charges, be entitled to inspect and copy:

    (i) all parts of the register of shareholders;

    (ii) personal particulars of the directors, supervisors, managers and other senior management officers of the Company, including (a) present and former names and aliases; (b) principal address (domicile); (c) nationality; (d) full-time occupation and all other part-time occupations or positions; and (e) identification document and the number thereof.

    (iii) the share capital of the Company;

    (iv) a report on the total nominal value, number, highest and lowest prices and all payments made by the Company in respect of each class of its shares repurchased since the last financial year;

    (v) minutes of shareholders' meetings.

Pursuant to Article 80 of the Articles of Association, a shareholder shall be entitled to inspect copies of minutes of meeting(s) free of charge during office hours of the Company. Upon the request of any shareholder for a copy of the relevant minutes of meeting, the Company shall send out the copy of the minutes so requested within seven days of the receipt of the reasonable payment therefore.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 52(17) of the Articles of Association, the shareholders' general meeting shall exercise its power to review any motion put forward by shareholders representing in aggregate 5 percent or more of the voting rights of the Company.

Pursuant to Article 56 of the Articles of Association, when the Company convenes an annual general meeting, shareholder(s) who holds 5 percent or more of the voting rights of the Company shall be entitled to propose new motions in writing to the Company. The Company shall include those motions falling within the scope of responsibility of the shareholders' general meeting into the agenda of such meeting, but such motions shall be sent to the Company within 30 days after the issue of the aforesaid notice of meeting.

Pursuant to Article 95 of the Articles of Association, the procedures for shareholders of the Company to propose a person for election as a Director are set out below.

– Starting from the second day upon the despatch of the notice of the general meeting appointed for the election of Director by the Company, a Shareholder is entitled to lodge a notice in writing to the Company to propose a person for election as a Director.

– The minimum length of the period, during which the aforesaid notice in writing is lodged with the Company, shall be at least seven days.

– In any event, the aforesaid period shall end no later than 7 days prior to the date of such general meeting.

– In the aforesaid period of notice, such proposed Director shall give notice to the Company stating his/her willingness to be elected.

DIRECTORS' REPORT

The Board of Directors is pleased to present its Directors' Report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. One of the subsidiaries, 烏盟乾生津燃公用事業有限責任公司 (Kin Sang Jinran Public Utilities Company Limited*) (formerly known as 烏盟乾生天聯公用事業有限責任公司 (Kin Sang Tianlian Public Utilities Company Limited*) is dormant. The other subsidiary 天津天聯投資有限公司 (Tianjin Tianlian Investment Company Limited*) is engaged in investment activities. The Group completed the acquisition of the additional 39% equity interests of 貴州津維礦業投資有限公司 (Guizhou Jinwei Mining Investment Company Limited*) ("Guizhou Jinwei") and Guizhou Jinwei completed its acquisition of 70% equity interest in 貴州省台江縣國新鉛鋅選礦有限責任公司 (Guizhou Province Taijiang County New Lead and Zinc Mineral Extraction Company Limited*) ("Guizhou County New") on 30 June 2012. Guizhou County New owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province and the Group commenced the mining and trading of lead and zinc from year 2012.

During the Year, the Company has implemented a strategic plan to put greater focus on its gas related businesses. Hence the Board resolved a plan to dispose its mining business and trading business of lead and zinc. The Company has started negotiations with several interested parties, which is still ongoing, in relation to the disposal of its 88% equity interest in Guizhou Jinwei, which owns 70% equity interest in Guizhou County New and Guizhou Country New owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province. The Company will comply with the relevant requirements of the Listing Rules accordingly.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 76 to 77 of this annual report.

The Board recommends the distribution of a dividend for the year ended 31 December 2017 of RMB0.017 (before considering any tax effect) per share to the Shareholders, amounting to RMB31,268,233 in aggregate (2016: nil).

The proposed dividend will be denominated in Renminbi. Dividend payable to holders of Domestic Shares will be paid in Renminbi, whereas dividend payable to holders of H Shares will be paid in Hong Kong dollars. The exchange rate of Renminbi to Hong Kong dollars to be adopted will be the average middle rate of the five business days preceding the date of declaration of such dividend (exclusive) (being 26 June 2018, the date of the annual general meeting of the Company) as announced by the People's Bank of China.

* *For identification purposes only*

Pursuant to the PRC Individual Income Tax Law(《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law(《中華人民共和國個人所得稅法實施條例》), the Administrative Measures of the State Administration of Taxation on Tax Convention Treatment for Non-resident Taxpayers (No. 60 of the Announcement of the State Administration of Taxation for 2016)(《國家稅務總局非居民納稅人享受稅收協定待遇管理辦法》)(國家稅務總局公告2016年第60號), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348)(《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, i.e., any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominee Limited, other nominees, trustees, or holders of H shares registered in the name of other groups and organisations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897)(《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)).

Should the holders of H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 4 of the annual report.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" above.

SHARE CAPITAL

Details of the Company's share capital are set out in note V.23 to financial statements.

DISTRIBUTION RESERVES

The reserve available for distribution to shareholders is the amount which is the lesser of the accumulated profits carried forward at the balance sheet date after deduction of the current year's appropriations to the statutory surplus reserve determined under PRC accounting standards.

As at 31 December 2017, the Group's reserves available for distribution to shareholders, comprised the retained profits determined under PRC accounting standards of approximately RMB660 million (2016: RMB625 million).

RESERVES

Profits attributable to shareholders before dividends of RMB5,543,926 (2016: RMB5,503,306) have been transferred to reserves.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year.

FIXED ASSETS

Details of movements in fixed assets of the Group are set out in note V.10 to financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 186.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company during the Year and up to the date of this report were:

Executive Directors

Zhang Tian Hua *(Chairman)*
Wang Wen Xia
Tang Jie
Zhang Guo Jian
Hou Shuang Jiang

Non-executive Director

Li Da Chuan

Independent Non-executive Directors

Zhang Ying Hua
Yu Jian Jun
Guo Jia Li

Independent Supervisors

Xu Hui
Liu Zhi Yuan

Staff Representative Supervisors

Hao Li
Feng Jin Hu

Shareholders Representative Supervisor

Yang Hu Ling

The Company has received from each of the independent non-executive Directors their respective confirmation of independence pursuant to the Listing Rules and considers that they remain independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 16 June 2015 and ending on the conclusion of the forthcoming annual general meeting of the Company.

Each of the Supervisors, namely Mr. Yang Hu Ling, Ms. Xu Hui, Ms. Hao Li and Mr. Feng Jin Hu has entered into a service agreement with the Company for a term of three years commencing from 16 June 2015 and ending on the conclusion of the annual general meeting of the Company to be held in 2018. Mr. Liu Zhi Yuan, the Supervisor has entered into a service agreement with the Company for a term of three years commencing from 25 April 2016 and ending on the conclusion of the forthcoming annual general meeting of the Company.

Save as disclosed above, none of the Directors nor Supervisors has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

POLICY FOR DIRECTORS' REMUNERATION

The remuneration of the Directors is determined by the Remuneration Committee with reference to the directors' respective qualifications and experiences. Ms. Wang Wen Xia, Mr. Hou Shuang Jiang, Mr. Zhang Tian Hua, Mr. Zhang Guo Jian and Mr. Li Dachuan, waived their remuneration from 1 January 2015. During the Year, save as disclosed above, there was no arrangement in which Directors waived their remuneration.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 2017, the interests and short positions of the Directors, chief executive and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors of the Company as referred to in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long Position

Domestic Shares of RMB0.1 each in the capital of the Company

Name of Director/Supervisor	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Ms. Tang Jie	Beneficial owner	41,700,000	2.27%/3.11%

Save as disclosed in the above paragraph, as at 31 December 2017, none of the Directors, chief executive and Supervisors of the Company had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS

So far as known to the Directors, as at 31 December 2017, the following, not being a Director or Supervisor, have interests or short positions in the shares or 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 and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

SUBSTANTIAL SHAREHOLDERS

Long Position

Domestic Shares of RMB0.1 each in the capital of the Company

Name of shareholder	Capacity	Number of Domestic Shares held	Approximate percentage of interests in the Company/ Domestic Shares of the Company
Tianjin Gas Group Company Limited ("Tianjin Gas") 天津市燃氣集團有限公司 (Note 1)	Beneficial owner	1,297,547,800	70.54%/96.89%
Tianjin Energy Investment Company Limited ("Tianjin Energy") 天津能源投資集團有限公司	Interest of a controlled corporation	1,297,547,800	70.54%/96.89%

Notes:

1. Tianjin Energy is the intermediary holding company of Tianjin Gas. Therefore Tianjin Energy is deemed, or taken to be interested in all the domestic shares of the Company beneficially held by Tianjin Gas for the purpose of the SFO.

OTHER SHAREHOLDERS

Long Position

H Shares of RMB0.1 each in the capital of the Company

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/ H Shares of the Company
Liu Hei Wan	Interests held jointly with another person (note 1)	14,500,000	0.79%/2.90%
	Held by controlled corporation (note 2)	30,000,000	1.63%/6.00%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	0.79%/2.90%
	Interest of spouse (note 3)	30,000,000	1.63%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	1.63%/6.00%

Notes:

1. As at 31 December 2017, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held the 14,500,000 H shares of the Company.

2. The Waterfront Development Group Limited is wholly owned by Mr. Liu Hei Wan and thus a controlled corporation by Mr. Liu Hei Wan. Mr. Liu Hei Wan is deemed, or taken to be, interested in the 30,000,000 shares which are beneficially owned by The Waterfront Development Group Limited for the purpose of the SFO.

3. Ms. Law Suet Yi is the spouse of Mr. Liu Hei Wan and therefore, Ms. Law Suet Yi is deemed, or taken to be, interested in all the shares in which Mr. Liu Hei Wan is interested for the purpose of SFO.

Save as disclosed above, as at 31 December 2017, the Directors are not aware of any person, not being a Director, Chief Executive or Supervisor, have interests or short positions in the shares or 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 and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No Director or Supervisor nor a connected entity of a Director or Supervisor had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the Group to which the holding company of the Company, the Company or any of the Company's subsidiaries or fellow subsidiaries was a party during the Period.

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

During the Year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

On 9 December 2003, Tianjin Gas has entered into a non-competition agreement with the Company. Under the non-competition agreement, save for Tianjin Gas's then existing piped gas operations in Tianjin City, which is outside the scope of operation of the Group in Tianjin at that time (the "Previous Operational Locations"), Tianjin Gas has irrevocably undertaken and covenanted with the Company that, except with the Company's prior written consent, it would not and would procure that its subsidiaries should not, carry on for their own accounts or for any other persons to carry on and/or have an interest in, any business of which is or may be in competition with the Group's business within the Previous Operational Locations or outside its existing operating district in Tianjin City.

On 28 December 2010, Tianjin Gas further entered into the supplemental non-competition agreement (the "Supplemental Non-Competition Agreement") to supplement certain terms of the non-competition agreement dated 9 December 2003, pursuant to which the meaning of "subsidiary(ies)" as mentioned in the above-mentioned undertaking has been amended to include "associates" under the definition of the Rules Governing the Listing of Securities on Growth Enterprise Market (the "GEM Listing Rules") and the Previous Operational Locations have been amended to cover the operational locations of the Group (i.e. Xiao Hai Di (小海地) of Hexi District (河西區), part of Jinnan District (津南區), Xiqing District (西青區), Hangu District (漢沽區) and Ninghe County (寧河縣)) which have been served by the Group's pipelines as well as Hedong District (河東區) and Heping District (和平區) after completion of the Proposed Assets Transfer which are served by the Transferred Assets.

Furthermore, pursuant to the Supplemental Non-Competition Agreement, Tianjin Gas further undertakes that (A) where business opportunities which may compete with the business of the Group arises, or if Tianjin Gas desires to sell any of its existing piped gas business or the underlying assets for the piped gas business in Tianjin, Tianjin Gas shall give the Company's notice in writing and the Company shall have a right of first refusal to take up such business opportunities. The Company shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such proposed transactions); and (B) regarding the assets which have not yet been transferred to the Company by Tianjin Gas in Hedong District, Heping District, Xiqing District, Hangu District and Ninghe County, the Company has the right to require Tianjin Gas to sell these assets to the Company at any time, subject to compliance with the applicable requirements under the relevant PRC laws as well as the Listing Rules, at a price that is fair and reasonable, and acceptable to the independent non-executive Directors (who do not have any interest in such proposed transaction).

Pursuant to the non-competition agreement and the Supplemental Non-Competition Agreement (together, the "Non-competition Undertaking"), the independent non-executive Directors are responsible for reviewing and considering whether or not to exercise such rights and are entitled, on behalf of the Company, to review the information provided by Tianjin Gas in respect of the compliance and enforcement of the Non-competition Undertaking at least on an annual basis. During the Reporting Period, the independent non-executive Directors have reviewed the implementation of the Non-competition Undertaking and have confirmed that Tianjin Gas has been in full compliance with the Non-competition Undertaking and there was no breach by Tianjin Gas.

Also, the Company has received from Tianjin Gas an annual declaration on compliance with the Non-competition Undertaking and considers Tianjin Gas has complied with the Non-competition Undertaking.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Period was the Company or its subsidiary a party to any arrangements to enable the Directors and Supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

Each of Mr. Zhang Tian Hua (the executive Director and the chairman of the Company), Mr. Hou Shuang Jiang (the executive Director), Ms. Wong Wen Xia (the executive Director) and Mr. Li Da Chuan (the non-executive Director) holds positions with Tianjin Gas and/or Tianjin Energy. They do not have any equity interest in Tianjin Gas, Tianjin Energy nor the Company. Save as their positions with Tianjin Gas and/or Tianjin Energy, each of the Directors and their respective close associates has confirmed that he/she does not have any interest in a business which competes or may compete with the business of the Group.

In the wholesale distribution of natural gas, no competition between Tianjin Gas and the Group exists given the fact that the Group only supplies natural gas to end users but is not engaged in wholesale distribution business. In the provision of piped natural gas to end users, Tianjin Gas and the Group are not competing with each other due to the nature of the piped gas supply business, which required fixed pipelines be installed and connected to the customers' pipelines, it is practically infeasible for more than one set of pipelines connecting to the same customer's pipeline. Besides, pursuant to the Non-Competition Undertaking, Tianjin Gas undertakes not to compete with the Group. Given the terms of the Non-Compete Undertaking given by Tianjin Gas and the inherent nature of pipe gas supply business, the Directors are of the view that Tianjin Gas does not compete with the Group's operations in the provision of piped natural gas. For details of the Non-Competition Undertaking, please refer to the paragraph headed "Compliance with Non-Competition Undertaking" above.

Save as disclosed above, as at 31 December 2017, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the Year, the Company had adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard of dealings set out in the Listing Rules. The Company had also made specific enquiry with all Directors and Supervisors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors and Supervisors.

CONNECTED TRANSACTIONS

During the Period, the Group has the following non-exempt connected transactions or continuing connected transactions and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under the Listing Rules (where applicable):

Continuing Connected Transactions

(1) Gas Pipeline Lease Agreement

On 25 April 2016, the Company and Tianjin Binhai Gas Group Company Limited（天津濱海燃氣集團有限公司）("Binhai Gas Group") entered into a gas pipeline lease agreement (the "Gas Pipeline Lease Agreement") in respect of the lease of the high pressure gas pipelines extending from the intersection of Dong Jin Road（東金路）and Yang Bei Road（楊北公路）in Dongli District（東麗區）, Tianjin to the intersection of Xin Gang No.8 Road（新港八號路）and Yue Jin Road（躍進路）in Tanggu District（塘沽區）, Tianjin, measuring approximately 30 km, which is owned and managed by the Company, to Binhai Gas Group for natural gas transmission for the period from 1 May 2016 to 30 April 2019. Pursuant to the gas pipeline lease agreement, The annual cap of gas pipeline lease fee paid by Binhai Gas Group to the Company, is RMB4,000,000, RMB6,000,000 and RMB6,000,000 for the three years ending 31 December 2018, respectively. Actual transaction amount for the Year was RMB5,405,000.

Tianjin Gas is the controlling shareholder of the Company, and thus a connected person of the Company. Binhai Gas Group is a wholly-owned subsidiary of Tianjin Gas and thus also a connected person of the Company.

As each of the applicable percentage ratios for the annual caps of the Gas Pipeline Lease Agreement for each of the three years ending 31 December 2018 was, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the Gas Pipeline Lease Agreement were exempt from the independent shareholders' approval requirement and were subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

For details of the transaction, please refer to the announcement of the Company dated 25 April 2016.

(2) Pipeline Construction and Design Services

On 31 December 2012, the Company and Tianjin Gas Heat Planning and Design Institute Co., Ltd.*（天津市燃氣熱力規劃設計研究院有限公司）(the "Design Institute") entered into the pipeline design agreement (the "2013 Pipeline Design Agreement") in respect of the renewal of provision of pipeline design service by the Design Institute to the Company for the three years ended 31 December 2015, with an annual cap of RMB7,040,000, RMB7,780,000 and RMB8,780,000 respectively.

On 12 July 2013, the Company and Tianjin Gas entered into a pipeline construction framework agreement (the "2013 Pipeline Construction Framework Agreement") in respect of which Tianjin Gas and/or its associated companies may bid for gas pipeline construction contracts put out to tender from time to time by the Group in accordance with the tendering procedures set by the Group from time to time for the period from 12 July 2013 to 31 December 2015, with an annual cap for the transactions contemplated under the Pipeline Construction Framework Agreement (in terms of contract sum committed under the construction service contracts if awarded as a result of successful bid) of RMB20,000,000, RMB20,000,000, and RMB20,000,000 respectively.

To renew the 2013 Pipeline Design Agreement and the 2013 Pipeline Construction Framework Agreement which had both expired on 31 December 2015, the Company and Tianjin Energy entered into the Pipeline Construction and Design Agreement on 29 April 2016 in respect of the provision of pipeline construction and design services by Tianjin Energy and/or its associated companies upon successful bids for gas pipeline construction contracts put out to tender from time to time by the Group in accordance with the tendering procedures set by the Group from time to time for the period from 29 April 2016 to 31 December 2018. Pursuant to the Pipeline Construction and Design Agreement, the annual cap amounts received by Tianjin Energy and/or its associated companies from the Group for the three years ended 31 December 2018 is RMB30,000,000, RMB30,000,000 and RMB30,000,000 respectively. Actual transaction amount for the Year was RMB14,317,000.

Tianjin Gas is one of the promoters of the Company and is a controlling shareholder of the Company and thus a connected person of the Company.

The Design Institute is a subsidiary of Tianjin Energy (a controlling shareholder of the Company) and thus a connected person of the Company.

As at date of this report, Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Tianjin Energy is a connected person of the Company. Pursuant to the Listing Rules, the entering into of the Pipeline Construction and Design Agreement constitutes a continuing connected transaction of the Company.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the Pipeline Construction and Design Agreement for each of the twelve months ending 31 December 2016, 31 December 2017 and 31 December 2018 was, on an annual basis, more than 1% but less than 5%, the Pipeline Construction and Design Agreement was exempt from the independent shareholders' approval requirement and was only subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 29 April 2016.

(3) Gas Supply

On 31 October 2014, the Company and Jinran China Resources Gas Co., Ltd*（津燃華潤燃氣有限公司）("Jinran Gas") entered into new gas supply contracts in respect of renewal of the supply of natural gas by Jinran Gas to the Group for the period from 1 January 2015 to 31 December 2017 (the "Gas Supply Contracts"). Jinran Gas is a subsidiary of Tianjin Energy (a controlling shareholder of the Company) and is hence a connected person of the Company, and the entering into of the New Gas Supply Contracts between Jinran Gas and the Company constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the Gas Supply Contracts, Jinran Gas agreed to supply to the Company and the Company agreed to purchase from Jinran Gas up to 612.29 million, 673.52 million and 740.87 million cubic metres of natural gas for the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 at a price of approximately RMB2.655 per cubic metre (tax excluded, and the price subject to adjustment in accordance with the direction of the Tianjin municipal price bureau from time to time) with an annual cap of RMB1,626 million, RMB1,788 million and RMB1,967 million respectively. Actual transaction amount for the Year was RMB1,145,169,000.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps for the New Gas Supply Contracts for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 exceeded 5%, the Gas Supply Contracts were subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

On 17 March 2017, the Company entered into a supplemental agreement (the "Supplemental Agreement") with Jinran Gas to (1) the gas supply contract (the "2016 Gas Supply Contract") in respect of the supply of natural gas by Jinran Gas to the Company for the 12 months ended 31 December 2016 and (2) the gas supply contract (the "2017 Gas Supply Contract") in respect of the supply of natural gas by Jinran Gas to the Company for the 12 months ending 31 December 2017, to revise the unit price of natural gas (the "Price") and the settlement date for the gas charge for the period commencing from 20 November 2016 to 15 March 2017.

Pursuant to the Supplemental Agreement, the Price was amended from approximately RMB2.655 per cubic metre (tax excluded) to RMB2.204 per cubic metre (tax excluded) with the annual caps for gas charge for 2016 Gas Supply Contract and 2017 Gas Supply Contract remaining unchanged. Accordingly, the respective maximum volume of gas supply under 2016 Gas Supply Contract and 2017 Gas Supply Contract will be adjusted.

Pursuant to the Supplemental Agreement, the settlement day for the gas charge by the Company based on the actual consumption of natural gas by the Group during each month was amended from the 25th day to the 10th day of month.

Save as disclosed above, all the terms of the 2016 Gas Supply Contract and 2017 Gas Supply Contract remain unchanged.

For details of the transactions, please refer to the announcements of the Company dated 31 October 2014, 30 December 2014, 17 March 2017 and the circular of the Company dated 12 December 2014.

In the light of the new pricing directive issued by the Tianjin Development and Reform Commission (the "Commission") on 27 September 2017 (the "September Directive") which stipulates that the unit price applicable to the provision of natural gas by Jinran Gas to the Company is now subject to the commercial negotiation between Jinran Gas and the Company instead of subject to a directive price issued by the Commission from time to time just like the past.

Further to the Supplemental Agreements, on 2 March 2018, the Company entered into the supplemental agreement to the 2017 Gas Supply Contract with Jinran Gas to agree on the unit price of natural gas provided by Jinran Gas to the Company for the period from 1 September 2017 to 31 December 2017. Pursuant to the 2017 Gas Supply Contract, the unit price of normal gas supplied by Jinran Gas to the Company was approximately RMB2.655 per cubic metre (tax excluded, and the price subject to adjustment in accordance with the direction of the Tianjin municipal price bureau from time to time). Jinran Gas and the Company and agreed that the unit price of natural gas supplied by Jinran Gas to the Company for the period commencing from 1 September 2017 to 31 December 2017 was approximately RMB2.104 per cubic meter (tax excluded, and being the weighted average of the unit price for the four months ended 31 December 2017). Save as disclosed above, all the terms of the 2017 Gas Supply Contract remain unchanged.

For details, please refer to the Company's announcement dated 31 October 2014, 30 December 2014, 29 December 2017, 28 February 2018 and 5 March 2018, and the circular of the Company dated 12 December 2014.

(4) Gas Transportation

On 31 October 2014, Jinran Gas and the Company entered into a gas transportation contract in respect of the renewal of provision of gas transportation services through the gas pipelines owned and managed by the Company for natural gas transmission by Jinran Gas for the period from 1 January 2015 to 31 December 2017 (the "Gas Transportation Contracts"). Jinran Gas is a subsidiary of Tianjin Energy (a controlling shareholder of the Company) and is hence a connected person of the Company, and the entering into the Gas Transportation Contracts between Jinran Gas and the Company constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In return, Jinran Gas will pay to the Company the gas transportation fees. The said gas transportation fees are calculated based on the actual volume of natural gas and actual distance transmitted at RMB0.8 per 1,000 cubic metres per kilometre. The annual caps for the said gas transportation fees for the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 are RMB13,290,000, RMB15,280,000 and RMB17,570,000 respectively. Actual transaction amount for the Year was RMB5,362,000.

As each of the applicable percentage ratios for the caps of the transaction contemplated under the Gas Supply Contracts were on an annual basis, more than 0.1% but less than 5%, the Gas Transportation Contracts were exempt from the independent shareholders' approval requirement and were only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

For details of the transactions, please refer to the announcement of the Company dated 31 October 2014.

(5) Gas Provision

On 31 October 2014, Tianjin Taihua Gas Co., Ltd.*（天津泰華燃氣有限公司）("Taihua Gas") and the Company entered into gas provision contracts in respect of the supply of natural gas by the Company to Taihua Gas ("Gas Provision") for the period from 1 January 2015 to 31 December 2017 (the "Gas Provision Contracts"). Taihua Gas is a subsidiary of Tianjin Energy (a controlling shareholder of the Company) and is hence a connected person of the Company, and the entering into the Gas Provision Contracts between Taihua Gas and the Company constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to the Gas Provision Contracts, the Group has agreed to supply to Taihua Gas and Taihua Gas has agreed to purchase from the Group up to 88.55 million, 97.41 million and 107.15 million cubic metres of natural gas for the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 at a price of approximately RMB2.92 per cubic metre (tax excluded, and the price is subject to adjustment in accordance with the direction of the Tianjin municipal price bureau from time to time) with an annual cap of RMB259 million, RMB284 million and RMB313 million respectively. Actual transaction amount for the Year was RMB176,309,000.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps for the Gas Provision Contracts for the Year, and the years ended 31 December 2015 and 31 December 2016 and the year ending 31 December 2017 exceeded 5%, the Gas Provision Contracts were subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For details of the transactions, please refer to the announcements of the Company dated 31 October 2014 and 30 December 2014 and the circular of the Company dated 12 December 2014.

As the Gas Provision Contract was expired on 31 December 2017, on 10 November 2017, the Company and Taihua Gas entered into a conditional gas provision contract ("New Taihua Gas Provision Contract") in respect of the Gas Provision for the three years ending 31 December 2020 not exceeding the annual caps of RMB205,872,975, RMB216,166,623.80 and RMB226,974,922.90, respectively, subject to the approval of the Shareholders.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the annual caps for the New Taihua Gas Provision Contract for the year ending 31 December 2018, 31 December 2019 and 31 December 2020 exceed 5%, the New Taihua Gas Provision Contract will be subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

On 29 December 2017, the Board resolved to set an annual cap of RMB50,000,000 (the "Additional 2018 Cap") for the Gas Provision for the year ending 31 December 2018 before obtaining the approval of the independent Shareholders. In arriving at the Additional 2018 Cap, the Company has considered, among others, the following factors: (i) past consumption and growth in demand of natural gas in Tianjin city; (ii) the historical figure of transactions with Taihua Gas, being RMB170,717,000, for the year ended 31 December 2016; (iii) an additional buffer of approximately 10% to ensure constant supply of gas at peak season; and (iv) the proposed date of the EGM i.e. 21 March 2018. The Directors consider that the Additional 2018 Cap is fair and reasonable. All the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Additional 2018 is less than 5%.

Please refer to the Company's announcement dated 10 November 2017 and 29 December 2017.

For the latest progress of the Gas Supply and the Gas Provision, please refer to the paragraph headed "Important events after reporting period" in this report.

REVIEW BY INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITORS

In accordance with the provisions of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions. In their opinion, the continuing connected transactions were:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;

(iii) in accordance with relevant agreements governing such transactions; and

(iv) on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

In addition, the Company's auditors have also confirmed in writing to the Board (copied to the Stock Exchange) in respect of the continuing connected transactions disclosed above that:

(i) nothing had come to their attention that causes them to believe that the disclosed continuing connected transactions had not been approved by the Company's Board;

(ii) for transactions involving the provision of goods and services by the Group, nothing had come to their attention that caused them to believe that the transactions were not, in all material respects, in accordance with the pricing policies governing such transactions;

(iii) nothing had come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing had come to their attention that causes them to believe that the continuing connected transactions had exceed the annual cap as set by the Company.

Non-Exempt Connected Transactions

Purchase of gas meters

On 18 October 2017, the Company entered into a purchase and sales agreement (the "Purchase and Sales Agreement") with 天津市裕民燃氣表具有限公司 (Tianjin Yumin Gas Meter Co., Ltd*) ("Tianjin Yumin"), pursuant to which Tianjin Yumin agreed to sell and the Company agreed to purchase 45,000 gas meters at an aggregate purchase price of RMB15,750,000 (equivalent to approximately HK$18,742,500 as at 18 October 2017). As one or more of the applicable percentage ratios for the Purchase and Sales Agreement were more than 0.1% but below 5%, the Purchase and Sales Agreement and the transactions contemplated thereunder were subject to, among other things, the reporting and announcement requirements but were exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details of the transaction, please refer to the announcement of the Company dated 18 October 2017.

EXEMPTED CONNECTED TRANSACTIONS

The following related party transactions disclosed in note IX.5 to the financial statements of this Report are fully exempt connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules:

1. The Company supplied natural gas to Tianjin Binhai China Oil and Gas Limited (天津濱海中油燃氣有限責任公司), Tianjin Heat Company (天津市熱力有限公司) ("Tianjin Heat") and Tianjin Liquefied Gas Construction Limited (天津市液化氣工程有限公司) which are subsidiaries of Tianjin Energy, a controlling shareholder of the Company, and thus connected person of the Company under Listing Rules. The total sales amounted to RMB108,000, RMB562,000 and RMB6,000 respectively for the Period;

2. The Company provided gas connection services to Tianjin Heat, the total gas connection income amounted to RMB2,196,000 for the Period;

3. Tianjin Yixiao Co Construction Development Limited (天津市益銷燃氣工程發展有限公司) ("Tianjin Yixiao"), a subsidiary of Tianjin Energy, a controlling shareholder of the Company, and thus connected person of the Company under Listing Rules provided gas meters installation services to the Company. The total gas meters installation services amounted to RMB3,757,000 for the Period;

4. Jinran Gas provided pipeline reconstruction services to the Company, the total pipeline reconstruction services amounted to RMB253,000 for the Period; and

5. Tianjin Yixiao provided internet services to the Company, the total internet services amounted to RMB81,000 for the Period.

As each of the abovementioned connected transaction or continuing connected transactions was on normal commercial terms and each of the applicable percentage ratios is (for continuing connected transactions, on an annual basis) less than 0.1%, each of these transactions was exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note IX.5 to the financial statements of this Report did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

The above connected transactions and continuing connected transactions has followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended 31 December 2017.

PERMITTED INDEMNITY

During the Year, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 54.2% of the Group's total turnover for the Year, with the largest customer accounted for approximately 24.3%. The five largest suppliers of the Group together accounted for approximately 97.7% of the Group's total purchases for the year, with the largest supplier accounted for 77.1%.

Except Jinran Gas, a company owned as to 51% by Tianjin Gas, a controlling shareholder of the Company, is a major supplier of the Group, at no time during the Year did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and risk management and internal control system of the Group. The Audit Committee comprises the three independent non-executive Directors, Mr. Guo Jia Li, Mr. Zhang Ying Hua and Mr. Yu Jian Jun. The Audit Committee has reviewed the report and the results for the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

Deloitte Touche Tohmatsu ("Deloitte") had resigned as auditors of the Company with effect from 18 November 2016. Deloitte has decided to cease to act as the Company's auditors as Deloitte and the Company could not reach a consensus on the audit fee for the audit of the consolidated financial statements of the Group for the financial year ended 31 December 2016.

On the same day, Ernst & Young has been appointed as the auditors of the Company to fill the casual vacancy following the resignation of Deloitte.

Starting from the financial year ended 31 December 2017, the Company adopted the China Accounting Standards for Business Enterprises in preparation of the financial statements of the Company. Accordingly, as approved by the Shareholders at an extraordinary general meeting of the Company held on 29 December 2017, Ernst & Young has been terminated as the international auditors of the Company; and Ernst & Young Hua Ming LLP has been appointed as the sole auditors of the Company.

The consolidated financial statements of the Group for the year ended 31 December 2017 have been audited by Ernst & Young Hua Ming LLP, certified public accountants.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Ernst & Young Hua Ming LLP as the auditors of the Company.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2017, the Company has not entered into any equity-linked agreement.

CORPORATE CHANGES

Change in accounting policy and Change of Auditors

According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" (the "Consultation Conclusions") published by the Stock Exchange in December 2010, (i) Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements using China Accounting Standards for Business Enterprises ("CASBE"); and (ii) Mainland audit firms approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission are allowed to service such issuers using CASBE. In light of the Consultation Conclusions and the commitment to optimize the corporate governance of the Company, starting from the financial year ended 31 December 2017, the Company adopts CASBE in preparation of the financial statements of the Company. Such change was approved by the Shareholders at the extraordinary general meeting of the Company held on 29 December 2017 ("2017 EGM").

Accordingly, as approved by the Shareholders at the 2017 EGM, Ernst & Young has been terminated as the international auditor of the Company; and Ernst & Young Hua Ming LLP has been appointed as the sole auditor of the Company, in light of the acceptance of Mainland accounting and auditing standards and Mainland audit firms by the Stock Exchange.

For details, please refer to the announcements of the Company dated 23 August 2017 and 29 December 2017, and the circular of the Company dated 13 November 2017.

Amendments to the Articles of Association of the Company

The Shareholders had passed special resolutions at two extraordinary general meetings held on 29 December 2017 and 6 February 2018 respectively to amend the articles of association of the Company (the "Articles") regarding (i) the alignment in the preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises and (ii) the requirement in accordance with the PRC laws and regulations implemented requiring state-owned enterprise to prescribe party building work into the Articles.

For details, please refer to the announcements of the Company dated 23 August 2017, 15 December 2017, 29 December 2017, and 6 February 2018, and the circulars of the Company dated 13 November 2017 and 29 December 2017.

Annual General Meeting And Book Closure Period

The annual general meeting of the Company is expected to be held on 26 June 2018 (Tuesday) at 3:00 p.m. at Floor 9, Gangao Tower, 18 Zhangzhou Road, Heping District, Tianjin , PRC and notice of the annual general meeting ("AGM") will be published and despatched in the manner as required by the Listing Rules. To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 27 May 2018 to 26 June 2018 (both days inclusive) during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 25 May 2018.

In order to determine the Shareholders entitled to the dividend, the register of members of the Company will be closed from 30 June 2018 to 5 July 2018 (both days inclusive) during which no transfer of shares will be registered. In order to be entitled to the dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 29 June 2018.

On behalf of the Board
Tianjin Jinran Public Utilities Company Limited
Zhang Tian Hua
Chairman

INDEPENDENT AUDITOR'S REPORT

Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
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Dong Cheng District
Beijing, China 100738

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Ernst & Young Hua Ming (2018) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

To the shareholders of TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED:

1. OPINION

We have audited the financial statements of Tianjin Jinran Public Utilities Company Limited (the "Company") and its subsidiaries (the "Group") set out on Page 74 to 185, which comprise the consolidated and company statements of financial position as at 31 December 2017, and the consolidated and company statements of profit or loss, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the consolidated and company financial position of Tianjin Jinran Public Utilities Company Limited as at 31 December 2017 and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), 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 our opinion.

Ernst & Young Hua Ming (2018) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
At 31 December 2017, the gross carrying amount of trade receivables was RMB205,078,211.20, and the gross bad debts provision amounted to RMB15,271,405.02. According to the accounting policies presented in Note III.8 and Note III.23 to the consolidated financial statements, the impairment of receivables is made based on assessment of the recoverability of receivables due from customers. When determining whether a trade receivable is collectable, significant management judgement is involved. Management considers various factors which including the aging of the balances, locations of customers, existence of disputes, recent historical payment patterns and status and any other available information concerning the creditworthiness of customers. The Group's disclosures about impairment of trade receivables are included in Note V.3 to the consolidated financial statements.	Our procedures to assess the recoverability of trade receivables included, but are not limited to, making inquiry about management's consideration, examining the subsequent receipts by checking against bank receipts, checking the significant carrying amount, aging analysis and overdue amount analysis by customer, and comparing to the historical repayment pattern in order to assess the customers' financial repayment capability.

Ernst & Young Hua Ming (2018) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

3. KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of gas connection contracts	
In 2017, the Group realised gas connection income of RMB122,127,257.74. According to the accounting policies presented in Note III.17 and Note III.23 to the consolidated financial statements, the revenue from gas connection contract is recognised by using the percentage of completion method, measured by reference to the proportion of cost incurred to date to the estimated total cost of the relevant contract. When determining the estimated total cost of contract and cost incurred, significant estimates are involved. Management reviews the estimates of both actual cost and total contract cost in budget prepared for each contract as the contract progresses. The Group's disclosures about revenue from gas connection contracts are included in Note V.27 to the consolidated financial statements.	We have obtained the management's calculation sheets of all gas connection contracts which were in progress as at 31 December 2017 and verified all the inputs involved, including costs incurred, total estimated costs and revenue contracts, examining the construction cost, designing and supervision cost, gas meters installation cost. We obtained the relevant contracts, bank payments slips, report of construction progress status which has been confirmed by the supervision party, evaluated the percentage of completion of gas connection contracts which were in progress as at 31 December 2017.

Ernst & Young Hua Ming (2018) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

4. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the Annual Report, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the Company is responsible for overseeing the Group's financial reporting process.

Ernst & Young Hua Ming (2018) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

6. AUDITORS' RESPONSIBILITY 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 China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the China Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(1) 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability 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. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Ernst & Young Hua Ming (2018) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

6. AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with the China Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: *(continued)*

(5) 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 manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to 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 those charged with governance of the Company, 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 precludes public disclosure about the matter or when, in extremely 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.

Ernst & Young Hua Ming LLP	Chinese Certified Public Accountant: Zhao Ning (Engagement partner)
	Chinese Certified Public Accountant: Wang Siming
Beijing, the People's Republic of China	27 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

Renminbi Yuan

ASSETS	Note V	December 31 2017	December 31 2016
CURRENT ASSETS			
Cash and bank balances	1	**487,228,014.40**	742,041,438.93
Bills receivable	2	**192,759,059.65**	28,947,523.90
Trade receivables	3	**189,806,806.18**	176,815,553.49
Prepayments	4	**12,330,877.27**	22,769,642.37
Other receivables	5	**13,499,553.24**	7,349,468.18
Inventories	6	**2,634,474.00**	3,446,232.90
Available-for-sale financial assets	7	**–**	404,181,369.86
Other current assets	8	**627,839,761.12**	17,561,547.42
Total current assets		**1,526,098,545.86**	1,403,112,777.05
NON-CURRENT ASSETS			
Long-term equity investments	9	**45,732,389.46**	45,412,860.30
Fixed assets	10	**849,481,538.16**	860,912,498.76
Construction in progress	11	**3,251,773.50**	10,049,235.37
Intangible assets	12	**12,109,712.19**	14,327,188.78
Deferred tax assets	13	**23,868,683.78**	16,393,774.50
Other non-current assets	14	**–**	11,523,250.21
Total non-current assets		**934,444,097.09**	958,618,807.92
TOTAL ASSETS		**2,460,542,642.95**	2,361,731,584.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2017

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	December 31 2017	December 31 2016
CURRENT LIABILITIES			
Trade payables	17	**305,598,160.10**	250,271,945.72
Advances from customers		**246,139,859.30**	277,071,948.46
Employee benefits payable	18	**18,046,699.55**	21,743,029.89
Taxes payable	19	**50,420,556.68**	30,492,785.27
Dividends payable	20	**10,974,939.71**	10,974,939.71
Other payables		**12,188,440.76**	11,312,332.46
Current portion of non-current liabilities	21	**3,265,164.61**	2,213,956.03
Provisions		**1,779,195.48**	–
Total current liabilities		**648,413,016.19**	604,080,937.54
NON-CURRENT LIABILITIES			
Deferred income	22	**66,589,640.40**	50,599,022.50
Total non-current liabilities		**66,589,640.40**	50,599,022.50
Total liabilities		**715,002,656.59**	654,679,960.04
SHAREHOLDERS' EQUITY			
Share capital	23	**183,930,780.00**	183,930,780.00
Capital reserve	24	**790,332,352.18**	790,332,352.18
Surplus reserve	25	**115,753,744.82**	110,209,819.32
Retained earnings	26	**659,620,982.39**	625,276,444.20
Equity attributable to shareholders of the Parent		**1,749,637,859.39**	1,709,749,395.70
Non-controlling interests		**(4,097,873.03)**	(2,697,770.77)
Total shareholders' equity		**1,745,539,986.36**	1,707,051,624.93
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,460,542,642.95**	2,361,731,584.97

The financial statements are signed by the following persons:

Legal Representative:	Chief Financial Officer:	Head of Accounting Department:
Zhang Tianhua	Zhang Guojian	Wang Liping

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

Renminbi Yuan

	Note V	2017	2016 Restatement
Revenue	27	**1,469,163,857.24**	1,198,148,807.39
Less: Cost of sales	27	**1,400,787,518.28**	1,163,988,242.17
Taxes and surcharges	28	**6,133,954.87**	4,528,833.54
Administrative expenses	29	**28,555,154.76**	24,540,636.84
Finance costs	30	**(15,360,587.32)**	(13,367,237.53)
Asset impairment losses	31	**13,643,273.55**	(1,000,000.00)
Add: Investment income	32	**15,384,176.92**	13,363,066.44
including: share of profits of associates		**2,439,519.37**	2,540,600.69
Gain on disposal of assets	33	**–**	282,347.80
Other income	34	**6,195,937.76**	–
Operating profit		**56,984,657.78**	33,103,746.61
Add: Non-operating income	35	**38,000.00**	17,953,207.10
Less: Non-operating expenses	36	**4,541,015.16**	3,089,085.68
Total profit		**52,481,642.62**	47,967,868.03
Less: Income tax expense	38	**13,808,483.67**	11,008,364.71
Net profit		**38,673,158.95**	36,959,503.32
Attributable to:			
Continuing operations		**38,673,158.95**	36,959,503.32
Attributable to:			
Shareholders of the Parent		**40,073,261.21**	37,659,482.52
Non-controlling interests		**(1,400,102.26)**	(699,979.20)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 December 2017

Renminbi Yuan

	Note V	**2017**	2016 Restatement
Other comprehensive income, net of tax		**–**	–
Total comprehensive income		**38,673,158.95**	36,959,503.32
Including:			
Total comprehensive income attributable to shareholders of the Parent		**40,073,261.21**	37,659,482.52
Total comprehensive income attributable to non-controlling interests		**(1,400,102.26)**	(699,979.20)
Earnings per share (RMB/Share)	39		
Basic		**0.02**	0.02
Diluted		**0.02**	0.02

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Renminbi Yuan

For the year ended 31 December 2017

	Attributable to shareholders of the Parent						
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
I. At beginning of the year	183,930,780.00	790,332,352.18	110,209,819.32	625,276,444.20	1,709,749,395.70	(2,697,770.77)	1,707,051,624.93
II. Movements during the year							
(i) Total comprehensive income	–	–	–	40,073,261.21	40,073,261.21	(1,400,102.26)	38,673,158.95
(ii) Profit appropriation							
1. Transfer to surplus reserve	–	–	5,543,925.50	(5,543,925.50)	–	–	–
2. Transfer to employee bonus and welfare fund	–	–	–	(184,797.52)	(184,797.52)	–	(184,797.52)
III. Closing balance	183,930,780.00	790,332,352.18	115,753,744.82	659,620,982.39	1,749,637,859.39	(4,097,873.03)	1,745,539,986.36

For the year ended 31 December 2016

	Attributable to shareholders of the Parent						
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
I. At beginning of the year	183,930,780.00	790,332,352.18	104,706,513.60	593,303,710.92	1,672,273,356.70	(1,997,791.57)	1,670,275,565.13
II. Movements during the year							
(i) Total comprehensive income	–	–	–	37,659,482.52	37,659,482.52	(699,979.20)	36,959,503.32
(ii) Profit appropriation							
1. Transfer to surplus reserve	–	–	5,503,305.72	(5,503,305.72)	–	–	–
2. Transfer to employee bonus and welfare fund	–	–	–	(183,443.52)	(183,443.52)	–	(183,443.52)
III. Closing balance	183,930,780.00	790,332,352.18	110,209,819.32	625,276,444.20	1,709,749,395.70	(2,697,770.77)	1,707,051,624.93

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

Renminbi Yuan

	Note V	2017	2016
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of goods or rendering of services		**1,428,772,548.74**	1,420,833,255.76
Refunds of taxes		**1,451,975.85**	4,641,487.64
Cash received relating to other operating activities		**551,235.79**	502,604.70
Sub-total of cash inflows from operating activities		**1,430,775,760.38**	1,425,977,348.10
Cash paid for goods and services		**1,281,938,347.28**	1,031,893,943.82
Cash paid to and on behalf of employees		**128,602,291.61**	118,085,400.03
Cash paid for all types of taxes		**32,515,648.95**	38,931,599.73
Cash paid relating to other operating activities		**50,053,491.68**	87,658,880.83
Sub-total of cash outflows from operating activities		**1,493,109,779.52**	1,276,569,824.41
Net cash flows (used in)/from operating activities	40	**(62,334,019.14)**	149,407,523.69
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from redemption of investments		**3,467,080,000.00**	3,855,500,000.00
Cash received from income on investments		**28,204,724.28**	18,003,301.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**650.00**	671,650.00
Cash received relating to other investing activities		**17,890,000.00**	29,023,419.84
Sub-total of cash inflows from investing activities		**3,513,175,374.28**	3,903,198,370.93
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets		**39,407,382.85**	58,792,358.76
Cash paid for acquisition of investments		**3,867,080,000.00**	4,255,500,000.00
Sub-total of cash outflows from investing activities		**3,906,487,382.85**	4,314,292,358.76
Net cash flows used in investing activities		**(393,312,008.57)**	(411,093,987.83)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2017

Renminbi Yuan

	Note V	**2017**	2016
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Sub-total of cash inflows from financing activities		**–**	–
Sub-total of cash outflows from financing activities		**–**	–
Net cash flows from financing activities		**–**	–
4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**–**	–
5. NET DECREASE IN CASH AND CASH EQUIVALENTS		**(455,646,027.71)**	(261,686,464.14)
Add: Cash and cash equivalents at beginning of year		**742,041,438.93**	1,003,727,903.07
6. CASH AND CASH EQUIVALENTS AT END OF YEAR	40	**286,395,411.22**	742,041,438.93

STATEMENT OF FINANCIAL POSITION

31 December 2017

Renminbi Yuan

ASSETS	Note XIII	December 31 2017	December 31 2016
CURRENT ASSETS			
Cash and bank balances		**485,347,138.70**	739,633,467.77
Bills receivable		**192,759,059.65**	28,947,523.90
Trade receivables	1	**189,806,806.18**	176,815,553.49
Prepayments		**12,277,427.02**	22,712,166.66
Other receivables	2	**13,504,715.74**	7,334,418.18
Inventories		**2,634,474.00**	3,446,232.90
Available-for-sale financial assets		**–**	404,181,369.86
Other current assets		**627,839,761.12**	17,561,547.41
Total current assets		**1,524,169,382.41**	1,400,632,280.17
NON-CURRENT ASSETS			
Long-term equity investments	3	**45,732,389.46**	50,412,860.30
Fixed assets		**849,481,538.16**	858,852,836.16
Construction in progress		**3,251,773.50**	9,640,315.10
Intangible assets		**12,109,712.19**	12,203,838.24
Deferred tax assets		**28,868,683.78**	20,143,774.50
Other non-current assets		**–**	11,523,250.21
Total non-current assets		**939,444,097.09**	962,776,874.51
TOTAL ASSETS		**2,463,613,479.50**	2,363,409,154.68

STATEMENT OF FINANCIAL POSITION (continued)

31 December 2017

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIII	December 31 2017	December 31 2016
CURRENT LIABILITIES			
Trade payables		**305,552,160.10**	250,225,945.71
Advances from customers		**246,139,859.30**	277,071,948.46
Employee benefits payable		**18,046,408.09**	21,742,731.49
Taxes payable		**50,411,221.67**	30,471,158.13
Dividends payable		**10,974,939.71**	10,974,939.71
Other payables		**9,527,572.76**	8,655,203.46
Current portion of non-current liabilities		**3,265,164.61**	2,213,956.02
Provisions		**1,779,195.48**	–
Total current liabilities		**645,696,521.72**	601,355,882.98
NON-CURRENT LIABILITIES			
Deferred income		**66,589,640.40**	50,599,022.50
Total non-current liabilities		**66,589,640.40**	50,599,022.50
Total liabilities		**712,286,162.12**	651,954,905.48
SHAREHOLDERS' EQUITY			
Share capital		**183,930,780.00**	183,930,780.00
Capital reserve		**790,332,352.18**	790,332,352.18
Surplus reserve		**115,753,744.82**	110,209,819.32
Retained earnings		**661,310,440.38**	626,981,297.70
Total shareholders' equity		**1,751,327,317.38**	1,711,454,249.20
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,463,613,479.50**	2,363,409,154.68

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

Renminbi Yuan

	Note XIII	2017	2016 Restatement
Revenue	4	**1,469,163,857.24**	1,198,148,807.39
Less: Cost of sales	4	**1,400,787,518.28**	1,163,988,242.17
Taxes and surcharges		**6,133,327.61**	4,528,310.72
Administrative expenses		**25,983,859.96**	22,129,236.06
Finance costs		**(15,358,713.61)**	(13,348,961.94)
Asset impairment losses		**16,078,615.14**	(1,000,000.00)
Add: Investment income	5	**15,384,176.92**	13,363,066.44
including: share of profits of associates		**2,439,519.37**	2,540,600.69
Gain on disposal of assets		**–**	282,347.80
Other income		**6,195,937.76**	–
Operating profit		**57,119,364.54**	35,497,394.62
Add: Non-operating income		**38,000.00**	17,953,207.10
Less: Non-operating expenses		**4,541,015.17**	2,864,978.74
Total profit		**52,616,349.37**	50,585,622.98
Less: Income tax expense		**12,558,483.67**	11,008,364.71
Net profit		**40,057,865.70**	39,577,258.27
Including: continuing operation		**40,057,865.70**	39,577,258.27
Other comprehensive income, net of tax		**–**	–
Total comprehensive income		**40,057,865.70**	39,577,258.27

STATEMENT OF CHANGES IN EQUITY

Renminbi Yuan

For the year ended 31 December 2017

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning of the year	**183,930,780.00**	**790,332,352.18**	**110,209,819.32**	**626,981,297.70**	**1,711,454,249.20**
II. Movements during the year					
(i) Total comprehensive income	–	–	–	**40,057,865.70**	**40,057,865.70**
(ii) Profit appropriation					
1. Transfer to surplus reserve	–	–	**5,543,925.50**	**(5,543,925.50)**	–
2. Transfer to employee bonus and welfare fund	–	–	–	**(184,797.52)**	**(184,797.52)**
III. Closing balance	**183,930,780.00**	**790,332,352.18**	**115,753,744.82**	**661,310,440.38**	**1,751,327,317.38**

For the year ended 31 December 2016

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning of the year	183,930,780.00	790,332,352.18	104,706,513.60	593,090,788.67	1,672,060,434.45
II. Movements during the year					
(i) Total comprehensive income	–	–	–	39,577,258.27	39,577,258.27
(ii) Profit appropriation					
1. Transfer to surplus reserve	–	–	5,503,305.72	(5,503,305.72)	–
2. Transfer to employee bonus and welfare fund	–	–	–	(183,443.52)	(183,443.52)
III. Closing balance	183,930,780.00	790,332,352.18	110,209,819.32	626,981,297.70	1,711,454,249.20

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

Renminbi Yuan

	2017	2016
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of goods or rendering of services	**1,428,772,548.74**	1,420,833,255.76
Refunds of taxes	**1,451,975.85**	4,641,487.64
Cash received relating to other operating activities	**546,362.46**	396,918.54
Sub-total of cash inflows from operating activities	**1,430,770,887.05**	1,425,871,661.94
Cash paid for goods and services	**1,281,942,372.74**	1,031,893,943.82
Cash paid to and on behalf of employees	**128,471,793.61**	117,950,795.83
Cash paid for all types of taxes	**32,502,729.57**	38,931,076.91
Cash paid relating to other operating activities	**48,828,311.36**	87,407,610.06
Sub-total of cash outflows from operating activities	**1,491,745,207.28**	1,276,183,426.62
Net cash flows (used in)/from operating activities	**(60,974,320.23)**	149,688,235.32
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from redemption of investments	**3,467,080,000.00**	3,855,500,000.00
Cash received from income on investments	**28,204,724.28**	18,003,301.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**650.00**	654,650.01
Cash received relating to other investing activities	**17,890,000.00**	29,023,419.84
Sub-total of cash inflows from investing activities	**3,513,175,374.28**	3,903,181,370.94
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets	**39,407,383.12**	58,792,358.76
Cash paid for acquisition of investments	**3,867,080,000.00**	4,255,500,000.00
Sub-total of cash outflows from investing activities	**3,906,487,383.12**	4,314,292,358.76
Net cash flows used in investing activities	**(393,312,008.84)**	(411,110,987.82)

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2017

Renminbi Yuan

	2017	2016
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Sub-total of cash inflows from financing activities	**–**	–
Sub-total of cash outflows from financing activities	**–**	–
Net cash flows from financing activities	**–**	–
4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**–**	–
5. NET DECREASE IN CASH AND CASH EQUIVALENTS	**(454,286,329.07)**	(261,422,752.50)
Add: Cash and cash equivalents at beginning of year	**739,633,467.77**	1,001,056,220.27
6. CASH AND CASH EQUIVALENTS AT END OF YEAR	**285,347,138.70**	739,633,467.77

I. BASIC INFORMATION OF THE GROUP

Tianjin Jinran Public Utilities Company Limited, formerly named Tianjin Tianlian Public Utilities Company Limited (天津天聯公用事業股份有限公司), is a joint stock limited company registered in Tianjin, the People's Republic of China (the "PRC") on 16 December 1998. The Company's overseas listed foreign shares ("H Shares") were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's office address and headquarter is located in No.18 Zhengzhou Road, Heping District, Tianjin.

The Company's original registered capital was RMB2 million. Pursuant to a resolution of shareholders' meeting passed on 26 November 2001, the registered capital of the Company was increased from RMB2,000,000.00 to RMB2,849,618.00 with a premium of RMB19,150,382.00 by contribution from existing shareholders and new investors.

Pursuant to a resolution passed on 12 December 2001, the registered capital of the Company was increased from RMB2,849,618.00 to RMB69,500,000.00, divided into 69,500,000 Domestic Shares of RMB1 each, by capitalisation of reserves of the Company as at 30 November 2001. Such transformation of the Company was approved by 津股批[2001]22號《關于同意天津市天聯天然氣有限公司整體變更為天津天聯公用事業股份有限公司的批復》issued by Tianjin Municipal Government on 26 December 2001.

Pursuant to a resolution of shareholders' meeting passed on 28 August 2002, each of Domestic Shares of RMB1 was sub-divided into 10 Domestic Shares of RMB0.1 each. The registered capital of the Company after sub-division of shares was 695 million Domestic Shares of RMB0.1 each.

The Company issued 300,000,000 H Shares and converted 30,000,000 Domestic Shares into H Shares by way of placing for listing of H Shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange on 9 January 2004. The Company received net proceeds, after deducting all relevant share issue expenses, of RMB64,667,255.43 from the new issue of shares by way of public offer and placing (including share capital of RMB33,000,000.00 and share premium of RMB31,667,255.43).

On 18 April 2005, Tianjin Leason Investment Group Company Limited (天津聯盛投資集團有限公司) ("Leason") and Tianjin Gas Group Company Limited (天津市燃氣集團有限公司) ("Tianjin Gas") entered into a share transfer agreement in relation of the sale of 174,125,000 Domestic Shares (representing 17.5% of the total issued share capital of the Company) by Leason to Tianjin Gas at a price of RMB0.23 per share amounting to a total consideration of RMB40,048,750.00.

I. BASIC INFORMATION OF THE GROUP *(continued)*

On 28 December 2005, Leason and Tianjin Wanshun Real Estate Company Limited（天津市萬順置業有限公司）(“Tianjin Wanshun”) entered into a share transfer agreement in relation of the sale of 220,025,000 Domestic Shares (representing 22.31% of the total issued share capital of the Company) by Leason to Tianjin Wanshun at a price of RMB0.29 per share amounting to a total consideration of RMB63,807,250.00. On the same day, Ms. Liang Jingqi and Tianjin Wanshun entered into a share transfer agreement in relation of the sale of 13,900,000 Domestic Shares (representing 1.40% of the total issued share capital of the Company) by Ms. Liang to Tianjin Wanshun at a price of RMB0.29 per share amounting to a total consideration of RMB4,031,000.00.

On 29 May 2007, approved by the Ministry of Commerce of the People’s Republic of China, the Company changed to a foreign investment limited liability company. The Company obtained the certificate of approval and the business licence on 4 June 2007 and 2 August 2007, respectively.

On 13 March 2008, the Company issued 154,600,000 H Shares at a price of HKD1.90 per share (par value RMB0.10 each) and converted 15,460,000 Domestic Shares into H Shares by way of placing of new shares on GEM. The Company received net proceeds, after deducting all relevant share issue expenses, of RMB253,009,696.34 (including share capital of RMB17,006,000.00 and the premium of RMB236,003,696.34).

Pursuant to the announcement of the Company dated on 5 October 2009, the Company entered into an Assets Acquisition Agreement with Tianjin Gas, pursuant to which the Company conditionally agreed to acquire assets from Tianjin Gas. To satisfied the consideration, the Company issued 689,707,800 Domestic Shares (par value RMB0.10 each) to Tianjin Gas on 7 April 2011 and the transaction was completed on 11 April 2011. The Domestic Shares enjoy equal interests as that of the H Shares. Upon the completion of transaction, the total issued share capital of the Company increased to RMB183.93 million. For details of share capital contribution, please refer to Note V.23.

The Company’s listing has been transferred from the GEM to the Main Board of the Stock Exchange since 18 October 2011.

Pursuant to a resolution passed on 20 June 2012, the Company changed its name from Tianjin Tianlian Public Utilities Company Limited（天津天聯公用事業股份有限公司）to Tianjin Jinran Public Utilities Company Limited（天津津燃公用事業股份有限公司）. A new business licence under the new name of the Company was issued by the Tianjin Administration of Industry and Commerce Bureau（天津市工商行政管理局）on 17 August 2012.

I. BASIC INFORMATION OF THE GROUP *(continued)*

On 1 September 2014, Tianjin Gas and Tianjin Wanshun entered into a share transfer agreement for the transfer of 235,925,000 Domestic Shares (representing 12.82% of the total issued share capital of the Company) by Tianjin Wanshun to Tianjin Gas at a price of RMB0.50 per share amounting to a total consideration of RMB117,962,500.00. The shares transfer has been completed on 11 February 2015. Since then, Tianjin Gas held 64.12% of the total issued share capital of the Company, and Tianjin Wanshun was no longer the shareholder of the Company.

On 16 October 2014, Tianjin Gas and Tianjin Beacon Coatings Company Limited（天津燈塔塗料有限公司）("Beacon Coatings") entered into a share transfer agreement for the transfer of 118,105,313 Domestic Shares (representing 6.42% of the total issued share capital of the Company) by Beacon Coatings to Tianjin Gas at nil consideration, subject to the obtaining of the approvals from the relevant government authorities. Upon the completion of the registration procedures of shares transfer, Tianjin Gas held 70.54% of the total issued share capital of the Company, and Beacon Coatings was no longer the shareholder of the Company.

Pursuant to the announcement of the Company dated on 13 January 2015, the registration of the transfer of all equity interests in Tianjin Gas held by State-owned Assets Supervision Commission of Tianjin Municipal Government to Tianjin Energy Investment Company Limited（天津能源投資集團有限公司）("Tianjin Energy") has been completed. Immediately following the completion of the aforesaid equity transfer, the Company's holding company became Tianjin Gas, the Company's ultimate holding company became Tianjin Energy, and all shares were held by State-owned Assets Supervision Commission of Tianjin Municipal Government.

The principal activities of the Group are the sale and distribution of piped gas, the lease of pipelines, the operation and management of gas pipeline infrastructure, the sale and installation of gas appliances, investment, operation of urban gas (subject to obtaining a valid qualification certificate), import and export according to state regulations for enterprises, pipeline project, investment consultation and mining investment.

These financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2018. According to the articles of association of the Company, the financial statements will be submitted to the shareholders' meeting for approval.

The scope of the consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the change of scope for the year.

II. BASIS OF PREPARATION

The Company used to adopt Hong Kong Financial Reporting Standards in preparing financial statements for information disclosure at the Hong Kong Stock Exchange. In accordance with the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" which was published by the Hong Kong Stock Exchange in December 2010, from this financial year, the Company decided to prepare the financial statements in accordance with "Accounting Standards for Business Enterprises" and the relevant regulations issued by the Ministry of Finance of the People's Republic of China ("PRC Accounting Standards") for information disclosure at the Hong Kong Stock Exchange.

The financial statements are prepared in accordance with "Accounting Standards for Business Enterprises – General Principles" issued by the Ministry of Finance of the People's Republic of China, together with specific accounting standards, application guidance, interpretations and other related regulations issued and revised thereafter (Accounting Standards for Business Enterprises, collectively).

The financial statements have been prepared on a going concern basis.

The financial statements are prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Group made specific accounting policies and accounting estimates based on the characteristics of actual production and operation, including the provision for bad debts of trade receivables, depreciation of fixed assets, amortisation of intangible assets, recognition and measurement of revenue, recognition of deferred tax assets, fair value measurement and valuation, etc.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and completely, the financial position of the Group and the Company as at 31 December 2017 and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

3. Functional currency

The Group's functional and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB yuan.

4. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

Assets and liabilities that are obtained by the acquirer in a business combination involving entities under common control (including the goodwill generated by the ultimate holding party in the acquisition of the acquiree) shall be measured at their carrying amounts at the combination date as recorded by the acquiree. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

4. Business combinations *(continued)*

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is initially recognised at cost being the excess of the aggregate fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In the event that the sum of the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition is less than the share of the fair value of the net identifiable assets of the acquiree acquired in the consolidation, the measurement of the fair value of the various identifiable assets, liabilities and contingent liabilities of the acquiree acquired and the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition shall first be reviewed. If the sum of this consideration and other items mentioned above is lower than the fair value of the net identifiable assets acquired, the difference is, after reassessment, recognised in profit or loss of the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2017 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company (including enterprise, divided part of the investee and a structured entity that is controlled by the Company).

In the preparation of the consolidated financial statements, when the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group assets, liabilities, equities, revenues, expenses and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses of a subsidiary attributable to non-controlling shareholders exceeds the opening balance of owners' equity attributable to non-controlling shareholders of the subsidiary, the excess shall still be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group obtains control, till the Group ceases to have control on it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination had been in existence since the ultimate holding party began to exercise control.

The Group shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of elements of control.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

6. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognises a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to be written off from the accounts and the statement of financial position when the following criteria are met:

(1) the rights to receive cash flows from the financial asset have expired; or

(2) the Group has transferred its rights to receive cash flows from the financial asset, or has an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

If the underlying obligation of a financial liability has been fulfilled, discharged, cancelled, or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulted difference is recognised in profit or loss of the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Recognition and derecognition of financial instruments *(continued)*

Regular way purchase or sale of financial assets are recognised and derecognised using trade date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date that an asset is delivered to or by the Group.

Classification and measurement of financial assets

The Group's financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, and derivatives designated as effective hedging instruments. A financial asset is initially recognised at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss of the current period; transaction costs relating to financial assets of other categories are included in the value initially recognised.

Subsequent measurement of a financial asset is determined by its category:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as financial assets at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of selling it in the short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss of the current period. Dividend income or interest income relating to financial assets at fair value through profit or loss is charged to profit or loss of the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment and derecognition are recognised in profit or loss of the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment are recognised in the profit or loss of the current period.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at fair value. The premium/discount is amortised using the effective interest method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income in capital surplus, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets which are recognised in profit or loss, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously recognised is transferred to profit or loss of the current period. Interests and dividends relating to an available-for-sale financial asset are recognised in profit or loss of the current period.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss of the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of a financial liability is determined by its category:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition as financial liabilities at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following criterias: 1) the financial liability is assumed for the purpose of repurchasing it in the short term; 2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial liability is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss in the current period.

Other financial liabilities

After initial recognition, such kind of financial liabilities are measured at amortised costs by using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on the net basis, or to realise the assets and settle the liabilities simultaneously.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

7. Financial instruments *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period the carrying amount of every financial asset. If there is objective evidence indicating that a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortised cost

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows through the use of allowance account (excluding future credit losses that have not been incurred). The amount reduced is recognised in profit or loss. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For loans and receivables, it no collectable future cash flows are expected, and all related collateral is sold or transferred into the Group, loans and receivables with related allowances are written off.

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss if there is objective evidence of impairment. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Assets for which an impairment loss is individually recognised is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

7. Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

If subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery is related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, the accumulated loss arising from decline in fair value previously recognised in other comprehensive income is transferred out and recognised in profit or loss. The accumulated loss that transferred out from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the extent or duration to which the fair value of an investment is less than its cost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES
(continued)

7. Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial assets (continued)

In the case of debt instruments investments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

In the case of debt instruments classified as available for sale, if there is a rise of fair value and the rise is objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss. Once an impairment loss is recognised, it cannot be reversed.

Transfer of financial assets

The financial asset is derecognised if the Group transfers substantially all the risks and rewards of ownership of the financial asset; the financial asset is not derecognised if the Group retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the transaction is accounted for as follows: (i) if the Group has not retained control, the financial asset is derecognised and any resulting assets or liabilities are recognised; or (ii) if the Group has retained control, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and an associated liability is recognised.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

7. Financial instruments *(continued)*

Transfer of financial assets *(continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

8. Receivables

Receivables that are individually significant and are provided for bad debts on individual basis

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group cannot collect the receivables on the original terms, bad debts are provided.

The bad debt provision is made based on the shortfall of the present value of estimated future cash flows as compared to the carrying amount of the receivables.

Receivables that are individually insignificant but are provided for bad debts on individual basis

Receivables that are individually insignificant but with specific risks are subject to separate impairment assessment. If there is objective evidence that the Group cannot collect the receivables on the original terms, bad debts are provided.

The bad debt provision is made based on the shortfall of the present value of estimated future cash flows as compared to the carrying amount of the receivables.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

8. Receivables *(continued)*

Receivables for which provision of bad debts made by portfolio of credit risk characteristics

Receivables which have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The bad debts provision is made based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances. Base on the customers relationship, the Group divide receivables into related party group and non-related party group. Provision for related party group are based on the analysis of repayment capability and historical payments status. Provisions for non-related party group are based on the analysis of age of the balance, nature of business, existence of disputes, recent historical payment patterns and status and any other available information concerning the creditworthiness of customers.

9. Inventories

Inventories include natural gas, gas meters, gas cookers and low value consumables.

Inventories are initially carried at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using the first in first out method. Low value consumables are amortised by using the immediate write-off method.

The Group adopts a perpetual inventory system.

At the end of each reporting period, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the provision for the decline in value of inventories, and is recognised in profit or loss of the current period.

Net realisable value is the estimated selling price in the ordinary course of business deducted by the estimated costs to completion, the estimated selling expenses and the related taxes. Provision is considered on an individual basis for all inventories.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

10. Long-term equity investments

Long-term equity investments include investments in subsidiaries and associates.

A long-term equity investment is recorded at its initial investment cost on acquisition. For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying amount of acquiree's equity at the combination date in the consolidated financial statements of ultimate holding party; the difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination shall be adjusted to share premium under capital surplus (if the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). The other comprehensive income before combination date is accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. For a long-term equity investment through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment is the cost of combination (for a business combination not involving entities under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date). The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. Other comprehensive income recognised using equity method that consists of the initial investment cost before the date of acquisition should be accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. The fair value change accumulated due to the recognition of other comprehensive income in processing previously held equity investment as financial instrument before acquisition date is entirely recognised in profit or loss at current period when switch to cost method. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

10. Long-term equity investments *(continued)*

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's financial statements. Control is the power over an investee. An investor must have exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

Under the cost method, the long-term equity investment is measured at its initial investment cost. The cost of long-term equity investment is adjusted if capital is contributed or withdrawn. The cash dividend or profit distribution declared by the investee is recognised as investment income for the period.

The equity method is adopted when the Group exercises significant influence on the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss of the current period, and the cost of the long-term equity investment is adjusted accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

10. Long-term equity investments *(continued)*

Under the equity method, the Group recognises its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full), except for the disposal of assets that consist of operations. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) and includes the corresponding adjustments in the shareholders' equity of the Group.

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss of the current period; for a long-term equity investment ceased to be accounted for using the equity method, the other comprehensive income relevant to equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. Changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) should be recognised as profit or loss of the current period; for a long-term equity investment remains to be accounted for using the equity method, the other comprehensive income originally accounted for using the equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities, and is transferred to profit or loss of the current period according to the proportion disposed of. Any changes in the shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) included in the shareholders' equity of the Group is transferred to profit or loss of the current period on a pro-rata basis according to the proportion disposed of.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

11. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in the profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for intended use.

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual value rates and annual depreciation rates of each category of fixed asset are presented as follows:

	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	40 years	10%	2.25%
Pipelines (high-pressure)	30 years	10%	3%
Pipelines (medium-pressure)	25 years	5%	3.8%
Machinery	10-25 years	10%	3.6-9%
Vehicles	5 years	10%	18%
Electronics, furniture and fixtures	5 years	10%	18%
Mining structures	6 years	–	16.67%

The Group reviews the useful life, estimated net residual value of a fixed asset, and the depreciation method applied at least at each financial year-end, and makes adjustments if necessary.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

12. Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditure incurred during the construction period and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

13. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. 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 Group.

The useful lives of the intangible assets are as follows:

	Useful life
Land use rights	40-70 years
Software licences	10 years
Mineral rights	6 years

Land use rights that are purchased by the Group are accounted for as intangible assets.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and the amortisation method at least at each financial year-end and makes adjustment if necessary.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

14. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes, financial assets, using the following methods:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year-end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss of the current period. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

14. Impairment of assets *(continued)*

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, compares the recoverable amount with the carrying amount and recognises impairment loss if any. After that, the Group tests the asset group or set of asset groups including goodwill for impairment. The carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss shall firstly charge against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then charge against the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

15. Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouses, children, dependents, and families of deceased employees also belong to employee benefits.

Short-term benefits

The actual short-term benefits occurred during the accounting period that employees provide services are recognised as liability in the costs of the relevant assets or profit or loss of the current period.

Benefits after demission (Defined contribution plan)

The employees of the Group participate in pension insurance and unemployment insurance which are managed by the local government, along with supplementary pensions, and the relevant expenditure is recognised, when incurred, in the costs of the relevant assets or profit or loss of the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

15. Employee benefits *(continued)*

Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs for a restructuring and involves the payment of termination costs.

16. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations not involving entities under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

(1) the obligation is a present obligation of the Group;

(2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and

(3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the end of each reporting period. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

17. Revenue

Revenue is recognised only when it is probable that the associated economic benefits will flow into the Group, its amount can be measured reliably, and all of the following conditions are satisfied.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

17. Revenue *(continued)*

Revenue from the sales of goods

The Group recognises revenue when it has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sale of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred, such that the arrangement is in substance of a financing nature, the amount of revenue arising on the sale of goods is measured at the fair value of the consideration receivable.

Construction contracts – Gas connection contracts

When the outcome of a fixed price gas connection contract can be estimated reliably at the end of each reporting period, revenue associated with the transaction is recognised according to the percentage of completion, or otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a gas connection contract can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; the associated economic benefits will probably flow to the Group; the stage of completion of the transaction can be measured reliably; and the costs incurred and to be incurred for the transaction can be measured reliably. The stage of completion is determined by the proportion that costs incurred to date bear to the estimated total contract costs. The total construction contract revenue from gas connection contracts is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except those unfair considerations received or receivable under contract or agreement.

Interest income

Interest income is recognised on a time proportion basis for which the Group's currency fund is used by others and the effective interest rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

17. Revenue *(continued)*

Lease income

Lease income from operating leases is recognised on the straight-line basis over the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

18. Government grants

Government grant is recognised when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

Pursuant to government documents, if the government grant is a compensation for constructing or forming long-term assets, the government grant is recognised as government grants related to assets. When government documents are not stated clearly, the fundamental conditions attached to the grant should be the criterion for judgments. If the fundamental conditions attached to the grant are for constructing or forming long-term assets, the government grant is recognised as government grants related to assets. Otherwise, the government grant is recognised as government grants related to income.

A government grant related to income is accounted as follows: (a) if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or offset the related costs over the periods in which the related costs, expenses or losses are recognised; (b) if the grant is a compensation for related costs, expenses or losses already incurred, it is recognised immediately in profit or loss or offset the related costs of the current period.

A government grant related to an asset shall offset the book value of related assets, or be recognised as deferred income, and reasonably and systematically amortised to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognised immediately in profit or loss of the current period. If related assets been sold, disposed, scrapped or damaged, the unamortised deferred income should be recognised in profit or loss in the period of disposal.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

19. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss of the current period, or recognised directly in shareholders' equity if it arises adjustments for goodwill from a business combination or relates to a transaction or event which is recognised directly in shareholders' equity.

The Group measures a current tax asset or liability arising from the current and prior periods based on the amount of income tax expected to be paid by the Group or returned by the tax authority calculated according to related tax laws.

For temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined for tax purposes but which have not been recognised as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognised for all taxable temporary differences, except:

(1) Where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; and (ii) at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss.

(2) In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

19. Income tax *(continued)*

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

(1) Where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected.

(2) In respect of the deductible temporary differences associated with investments in subsidiaries and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the end of each reporting period, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the end of each reporting period, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities; the deferred taxes relate to the same taxable entity's income tax collected by the same taxation authority; or the deferred tax assets and deferred tax liabilities are relate to different taxable entities, but for each important reverse period in the future, the current income tax assets and current income tax liabilities are intends to be set off or settled simultaneously.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

20. Leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

In the case of the lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss of the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

In the case of the lessor of an operating lease

Rent income under an operating lease is recognised by a lessor on the straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

21. Distribution of profit

The cash dividend of the Company is recognised as a liability after being approved in a shareholders' meeting.

22. Fair value measurement

The Group measures unlisted debt instrument investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

22. Fair value measurement *(continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

The Group's financial department uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets is shown in Note VIII to the financial statements.

23. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts and disclosure of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

23. Significant accounting judgements and estimates *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

Provision for bad debts

Provision for bad debts is recognised based on the recoverability of receivables. Provision for bad debts is recognised where there is indication that a receivable is not recoverable. Judgements and estimates are required in recognising provision for bad debts. The difference (if any) between the re-estimated value and the current estimate will impact the carrying amount of a receivable in the period in which the estimate is changed.

The percentage of completion of gas connection

The Group recognises revenue from gas connection contract according to the percentage of completion of individual contract of gas connection work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual cost incurred over the total budgeted cost, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in gas connection contracts, the date at which is completed usually fall into different accounting period. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared by each contract as the contract progresses. Where the actual costs are more than estimated, a foreseeable loss may arise.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

24. Changes in accounting policies

According to 《財政部關于修訂印發一般企業財務報表格式的通知》(財會[2017]30號), a new line item of "Gain on disposal of assets" shall be presented under "Operating profit" in the statement of profit or loss, and the disposal of non-current assets shall be recognised in "Gain on disposal of assets" instead of "Non-operating income" and "Non-operating expenses" in the prior year. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment. This change of accounting policy has no impact on the consolidated and company net profit and equity.

According to《關于印發修訂〈企業會計準則第16號——政府補助〉的通知》(財會[2017]15號), a new line item of "Other income" shall be presented under "Operating profit" in the statement of profit or loss, government grants related to the Group's daily operation is recognised in "Other income" instead of in "Non-operating income" in prior years. According to transition terms of the new accounting standard, the Group adopted prospective method to the government grants occurred prior to 1 January 2017, certain adjustments have been made for the governments grants occurred during the period from 1 January 2017 to 12 June 2017 on which the Ministry of Finance of the People's Republic of China issued the new standard. The accounting treatments and presentations of "Other income", "Operating Profit" and "Non-operating income" are different in 2016 and 2017, however, there is no impact on the consolidated and company net profit and equity in 2016 and 2017.

IV. TAXES

1. Major categories of taxes and respective tax rates

Value-added tax (VAT)	–	The Group's revenues of sales of piped gas, gas connection and gas transportation are taxable to output VAT at a tax rate of 11% and other revenues are taxable to output VAT at a tax rate of 17% which is levied after deducting deductible input VAT for the current period. According to 《財政部、國家税務總局關于在北京等8省市開展交通運輸業和部分現代服務業營業税改征增值税試點的通知》(財税[2012] 71號) and《關於簡併增值税税率有關政策的通知》(財税[2017] 37號), the Group's revenues of gas connection and gas transportation are taxable to output VAT at a tax rate of 11%.
City maintenance and construction tax	–	It is levied at 7% on the turnover taxes paid.
Education supplementary tax	–	It is levied at 3% on the turnover taxes paid.
Local education supplementary tax	–	It is levied at 2% on the turnover taxes paid.
Corporate income tax	–	It is levied at 25% on the taxable profit.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31 December 2017	31 December 2016
Cash	**13,478.65**	18,544.61
Cash in bank	**486,381,932.57**	742,022,894.32
Other monetary funds	**832,603.18**	–
	487,228,014.40	742,041,438.93

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term deposits vary from several days to several months depending on the cash requirements of the Group and earn interest at the respective bank deposit rates. As at 31 December 2017, the cash and bank balances amounting to RMB200,000,000.00 are structural deposits which cannot be terminated prematurely within the maturity periods (31 December 2016: Nil).

As at 31 December 2017, the cash and bank balances amounting to RMB832,603.18 was restricted as guarantee deposits for environment protection (31 December 2016: Nil). Refer to Note V.16 for the details.

2. Bills receivable

	31 December 2017	31 December 2016
Commercial acceptance bills	**52,769,831.74**	–
Bank acceptance bills	**139,989,227.91**	28,947,523.90
	192,759,059.65	28,947,523.90

As at 31 December 2017, the Group had no discounted or endorsed undue bills (31 December 2016: Nil).

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Trade receivables

The credit period of trade receivables is usually 90 to 180 days. The trade receivables bear no interest.

The aging of trade receivables is analysed below:

	31 December 2017	31 December 2016
Within 1 year	**183,235,734.08**	171,039,236.27
1 to 2 years	**8,222,071.26**	4,275,343.61
2 to 3 years	**3,148,752.88**	4,024,820.01
Over 3 years	**10,471,652.98**	7,953,555.61
	205,078,211.20	187,292,955.50
Less: Provision for bad debts of trade receivables	**15,271,405.02**	10,477,402.01
	189,806,806.18	176,815,553.49

The movements in the provision for bad debts of trade receivables are as follows:

	Opening balance	**Provision for the year**	**Reversal during the year**	**Closing balance**
2017	10,477,402.01	4,884,053.01	(90,050.00)	15,271,405.02
2016	11,477,402.01	–	(1,000,000.00)	10,477,402.01

At the end of 2017, the Group provided bad debts of RMB4,884,053.01 (2016: Nil), and reversed bad debts of RMB90,050.00 (2016: RMB1,000,000.00).

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Prepayments

The aging of prepayments is analysed below:

	31 December 2017		31 December 2016	
	Carrying amount	**Percentage (%)**	Carrying amount	Percentage (%)
Within 1 year	**10,525,201.79**	**85**	20,755,202.76	91
1 to 2 years	**1,805,675.48**	**15**	2,014,439.61	9
	12,330,877.27	**100**	22,769,642.37	100

Prepayments aged over one year were mainly prepayments for gas connection contracts and purchases of gas meters. The related gas connection services or gas meters installation were not started yet which resulted in the corresponding prepayments not being settled.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Other receivables

The aging of other receivables is analysed below:

	31 December 2017	31 December 2016
Within 1 year	**13,380,887.17**	6,871,644.41
1 to 2 years	**203,413.16**	186,873.77
2 to 3 years	**186,873.77**	–
Over 3 years	**2,575,667.46**	2,575,667.46
	16,346,841.56	9,634,185.64
Less: Provision for bad debts of other receivables	**2,847,288.32**	2,284,717.46
	13,499,553.24	7,349,468.18

The movements in the provision for bad debts of other receivables are as follows:

	Opening balance	Provision in the year	Reversal in the year	Write-off in the year	Closing balance
2017	2,284,717.46	562,570.86	–	–	2,847,288.32
2016	2,284,717.46	–	–	–	2,284,717.46

Other receivables by nature are as follows:

	31 December 2017	31 December 2016
Subsidy	**6,755,500.00**	–
Interest receivable	**3,004,109.59**	4,708,958.76
Employees' borrowings	**1,999,275.87**	2,273,647.50
Others	**4,587,956.10**	2,651,579.38
	16,346,841.56	9,634,185.64

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Inventories

	31 December 2017	31 December 2016
Gas	**207,936.59**	194,181.07
Gas appliances	**2,426,537.41**	3,252,051.83
	2,634,474.00	3,446,232.90

As of 31 December 2017, there were no provision for impairment of inventories (31 December 2016: Nil).

7. Available-for-sale financial assets

	31 December 2017	31 December 2016
Unlisted debt investments, at fair value	**–**	404,181,369.86

The balances as at 31 December 2016 represented the investments in the wealth management products amounting to RMB404,181,369.86, which were issued by licenced financial institutions with a guaranteed principal and not redeemable before the maturity date by the Group. The expected annual return rates of these products range from 2.60% to 3.09% per annum and the maturity periods are all within 60 days. These products are classified as available-for-sale debt investments on initial recognition.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. Other current assets

	31 December 2017	31 December 2016
Wealth management products	**608,013,698.64**	–
Input VAT	**19,826,062.48**	17,561,547.42
	627,839,761.12	17,561,547.42

At 31 December 2017, the Group purchased wealth management products amounting to RMB608,013,698.64. These products were issued by licenced financial institutions were unredeemable before maturity date. The expected annual return rates of these products range from 3.75% to 3.90% per annum and the maturity periods are all within 60 days. These products are classified as other current assets on initial recognition.

9. Long-term equity investments

2017

		Current year movements					
	Opening balance	**Increase in investment**	**Decrease in investment**	**Investment income/loss under equity method**	**Cash dividends announced**	**Closing carrying amount**	**Year-end provision for impairment**
Associates							
天津市濱海燃氣有限公司	**45,412,860.30**	**–**	**–**	**2,439,519.37**	**(2,119,990.21)**	**45,732,389.46**	**–**

2016

		Current year movements					
	Opening balance	Increase in investment	Decrease in investment	Investment income/loss under equity method	Cash dividends announced	Closing carrying amount	Year-end provision for impairment
Associates							
天津市濱海燃氣有限公司	44,452,105.91	–	–	2,540,600.69	(1,579,846.30)	45,412,860.30	–

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10. Fixed assets

2017

	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening balance	45,513,789.54	1,117,761,887.84	94,273,914.15	6,729,261.91	7,092,843.13	4,558,482.24	1,275,930,178.81
Purchase	–	1,314,921.32	8,668,497.16	521,425.87	1,183,916.05	–	11,688,760.40
Transferred from construction in progress	2,117,700.00	37,565,503.58	–	–	–	–	39,683,203.58
Disposal or scrap	–	7,662,103.78	7,426.80	–	7,075.00	–	7,676,605.58
Closing balance	47,631,489.54	1,148,980,208.96	102,934,984.51	7,250,687.78	8,269,684.18	4,558,482.24	1,319,625,537.21
Accumulated depreciation							
Opening balance	11,241,990.38	360,360,752.20	31,118,488.72	4,751,899.96	4,624,552.01	2,072,657.45	414,170,340.72
Provision	1,059,254.97	45,795,429.93	4,636,598.37	418,554.88	559,298.62	674,405.79	53,143,542.56
Disposal or scrap	–	5,045,047.07	3,145.58	–	–	–	5,048,192.65
Closing balance	12,301,245.35	401,111,135.06	35,751,941.51	5,170,454.84	5,183,850.63	2,747,063.24	462,265,690.63
Impairment provision							
Opening balance	–	–	136,803.56	30,178.04	5,952.06	674,405.67	847,339.33
Provision	–	–	5,857,704.69	29,538.84	6,712.23	1,137,013.33	7,030,969.09
Disposal or scrap	–	–	–	–	–	–	–
Closing balance	–	–	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Net carrying amount							
31 December 2017	35,330,244.19	747,869,073.90	61,188,534.75	2,020,516.06	3,073,169.26	–	849,481,538.16
31 December 2016	34,271,799.16	757,401,135.64	63,018,621.87	1,947,183.91	2,462,339.06	1,811,419.12	860,912,498.76

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10. Fixed assets *(continued)*

2016

	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening balance	44,527,113.81	1,075,859,109.53	86,391,395.82	9,989,461.60	6,455,589.02	5,228,966.41	1,228,451,636.19
Purchase	986,675.73	887,267.40	7,972,263.16	607,806.30	655,669.11	–	11,109,681.70
Transferred from construction in progress	–	49,813,807.74	–	–	–	–	49,813,807.74
Disposal or scrap	–	8,798,296.83	89,744.83	3,868,005.99	18,415.00	670,484.17	13,444,946.82
Closing balance	45,513,789.54	1,117,761,887.84	94,273,914.15	6,729,261.91	7,092,843.13	4,558,482.24	1,275,930,178.81
Accumulated depreciation							
Opening balance	10,204,935.65	323,442,136.54	26,760,198.64	7,489,981.06	4,081,976.70	1,632,561.73	373,611,790.32
Provision	1,037,054.73	44,133,522.17	4,394,566.73	751,156.79	543,713.81	787,278.07	51,647,292.30
Disposal or scrap	–	7,214,906.51	36,276.65	3,489,237.89	1,138.50	347,182.35	11,088,741.90
Closing balance	11,241,990.38	360,360,752.20	31,118,488.72	4,751,899.96	4,624,552.01	2,072,657.45	414,170,340.72
Impairment provision							
Opening balance	–	–	136,803.56	30,178.04	5,952.06	773,600.55	946,534.21
Provision	–	–	–	–	–	–	–
Disposal or scrap	–	–	–	–	–	99,194.88	99,194.88
Closing balance	–	–	136,803.56	30,178.04	5,952.06	674,405.67	847,339.33
Net carrying amount							
31 December 2016	34,271,799.16	757,401,135.64	63,018,621.87	1,947,183.91	2,462,339.06	1,811,419.12	860,912,498.76
31 December 2015	34,322,178.16	752,416,972.99	59,494,393.62	2,469,302.50	2,367,660.26	2,822,804.13	853,893,311.66

As at 31 December 2017, the Group has no fixed assets pending certificates of property ownership (31 December 2016: Nil).

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

11. Construction in progress

	31 December 2017			31 December 2016		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Building	2,138,040.00	–	2,138,040.00	4,255,740.00	–	4,255,740.00
Pipeline reconstruction	–	–	–	3,974,141.57	–	3,974,141.57
Gas station and others	1,113,733.50	–	1,113,733.50	1,410,433.53	–	1,410,433.53
Mine	408,920.27	(408,920.27)	–	408,920.27	–	408,920.27
	3,660,693.77	(408,920.27)	3,251,773.50	10,049,235.37	–	10,049,235.37

The movements of construction in progress in 2017 are as follows:

	Opening balance	Addition	Transferred to fixed assets	Other transfer out	Closing balance
Building	4,255,740.00	–	2,117,700.00	–	2,138,040.00
Pipeline reconstruction	3,974,141.57	34,013,504.62	36,617,228.82	1,370,417.37	–
Gas station and others	1,410,433.53	–	–	296,700.03	1,113,733.50
Connecting pipe renovation	–	1,163,971.68	–	1,163,971.68	–
鄱陽南路睿思路 medium pressure pipeline	–	948,274.76	948,274.76	–	–
Mine	408,920.27	–	–	–	408,920.27
	10,049,235.37	36,125,751.06	39,683,203.58	2,831,089.08	3,660,693.77

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

11. Construction in progress *(continued)*

The movements of construction in progress in 2016 are as follows:

	Opening balance	Addition	Transferred to fixed assets	Other transfer out	Closing balance
Building	4,255,740.00	–	–	–	4,255,740.00
Pipeline reconstruction	9,676,166.70	45,348,249.50	48,432,970.74	2,617,303.89	3,974,141.57
Gas station and others	961,100.03	1,830,170.50	1,380,837.00	–	1,410,433.53
Mine	408,920.27	–	–	–	408,920.27
	15,301,927.00	47,178,420.00	49,813,807.74	2,617,303.89	10,049,235.37

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Intangible assets

2017

	Land use rights	Software licences	Mineral rights	Total
Cost				
Opening balance	14,316,891.30	461,861.01	16,765,984.00	31,544,736.31
Purchase	–	256,410.27	–	256,410.27
Closing balance	14,316,891.30	718,271.28	16,765,984.00	31,801,146.58
Accumulated amortisation				
Opening balance	2,488,822.90	86,091.17	5,967,394.85	8,542,308.92
Provision	302,213.37	48,322.95	1,276,540.22	1,627,076.54
Closing balance	2,791,036.27	134,414.12	7,243,935.07	10,169,385.46
Impairment provision				
Opening balance	–	–	8,675,238.61	8,675,238.61
Provision	–	–	846,810.32	846,810.32
Closing balance	–	–	9,522,048.93	9,522,048.93
Net carrying amount				
31 December 2017	11,525,855.03	583,857.16	–	12,109,712.19
31 December 2016	11,828,068.40	375,769.84	2,123,350.54	14,327,188.78

The land use rights related to the land located in Mainland China which was acquired through long–term agreement of land use rights.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Intangible assets *(continued)*

2016

	Land use rights	Software licences	Mineral rights	Total
Cost				
Opening balance	14,316,891.30	461,861.01	16,765,984.00	31,544,736.31
Purchase	–	–	–	–
Closing balance	14,316,891.30	461,861.01	16,765,984.00	31,544,736.31
Accumulated amortisation				
Opening balance	2,186,609.53	39,904.97	4,899,394.85	7,125,909.35
Provision	302,213.37	46,186.20	1,068,000.00	1,416,399.57
Closing balance	2,488,822.90	86,091.17	5,967,394.85	8,542,308.92
Impairment provision				
Opening balance	–	–	8,675,238.61	8,675,238.61
Provision	–	–	–	–
Closing balance	–	–	8,675,238.61	8,675,238.61
Net carrying amount				
31 December 2016	11,828,068.40	375,769.84	2,123,350.54	14,327,188.78
31 December 2015	12,130,281.77	421,956.04	3,191,350.54	15,743,588.35

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Deferred tax assets

Deferred tax assets balance are as follows:

	31 December 2017		31 December 2016	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Provision for bad debts	**18,118,693.34**	**4,529,673.34**	12,762,119.47	3,190,529.87
Provision for impairment of fixed assets	**5,722,041.27**	**1,430,510.32**	–	–
Provisions	**1,779,195.48**	**444,798.87**	–	–
Deferred income	**69,854,805.01**	**17,463,701.25**	52,812,978.52	13,203,244.63
	95,474,735.10	**23,868,683.78**	65,575,097.99	16,393,774.50

Deductible losses and deductible temporary differences of unrecognised deferred tax assets are as follows:

	31 December 2017	31 December 2016
Deductible temporary differences	**12,087,236.35**	9,522,577.94
Deductible losses	**13,075,250.00**	11,563,779.79
	25,162,486.35	21,086,357.73

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Deferred tax assets *(continued)*

Deductible losses of unrecognised deferred tax assets will expire in the following years:

	31 December 2017	31 December 2016
2017	**–**	1,057,678.14
2018	**4,731,058.71**	4,731,058.71
2019	**2,398,814.17**	2,398,814.17
2020	**659,278.95**	659,278.95
2021	**2,716,949.82**	2,716,949.82
2022	**2,569,148.35**	–
	13,075,250.00	11,563,779.79

14. Other non-current assets

	31 December 2017	31 December 2016
Prepayment for pipeline reconstruction	**–**	11,523,250.21

At 31 December 2017, the pipeline reconstruction had been completed, and the Group reclassified the remaining amount which shall be collected from 津燃華潤燃氣有限公司 into "Other Receivables".

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. Provision for impairment of assets

2017

	Opening balance	Provision	Decrease: Reversal	Decrease: Write-off	Closing balance
Provision for bad debts					
– Trade receivables	10,477,402.01	4,884,053.01	(90,050.00)	–	15,271,405.02
– Other receivables	2,284,717.46	562,570.86	–	–	2,847,288.32
Provision for impairment of fixed assets	847,339.33	7,030,969.09	–	–	7,878,308.42
Provision for impairment of construction in progress	–	408,920.27	–	–	408,920.27
Provision for impairment of intangible assets	8,675,238.61	846,810.32	–	–	9,522,048.93
	22,284,697.41	13,733,323.55	(90,050.00)	–	35,927,970.96

2016

	Opening balance	Provision	Decrease: Reversal	Decrease: Write-off	Closing balance
Provision for bad debts					
– Trade receivables	11,477,402.01	–	(1,000,000.00)	–	10,477,402.01
– Other receivables	2,284,717.46	–	–	–	2,284,717.46
Provision for impairment of fixed assets	946,534.21	–	–	(99,194.88)	847,339.33
Provision for impairment of intangible assets	8,675,238.61	–	–	–	8,675,238.61
	23,383,892.29	–	(1,000,000.00)	(99,194.88)	22,284,697.41

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Assets restricted by ownership

	31 December 2017	31 December 2016
Other monetary funds	**832,603.18**	–

At 31 December 2017, the deposits of RMB832,603.18 were restricted as guarantee deposits for environment protection by government in Industrial and Commercial Bank of China (31 December 2016: Nil).

17. Trade payables

The trade payables are non-interest-bearing and generally have an average payment term of 60 days.

The aging of trade payables is analysed below:

	31 December 2017	31 December 2016
Within 1 year	**275,152,192.58**	225,278,411.37
1 to 2 years	**20,706,123.66**	20,571,999.86
Over 2 years	**9,739,843.86**	4,421,534.49
	305,598,160.10	250,271,945.72

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Employee benefits payable

2017

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	**20,725,292.65**	**109,489,821.87**	**112,163,462.54**	**18,051,651.98**
Benefits after demission (defined contribution plan)	**1,017,737.24**	**15,428,312.03**	**16,451,001.70**	**(4,952.43)**
Termination compensation	**–**	**5,000.00**	**5,000.00**	**–**
	21,743,029.89	**124,923,133.90**	**128,619,464.24**	**18,046,699.55**

2016

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	20,155,351.55	104,392,126.33	103,822,185.23	20,725,292.65
Benefits after demission (defined contribution plan)	498,907.41	14,774,951.63	14,256,121.80	1,017,737.24
Termination compensation	–	7,093.00	7,093.00	–
	20,654,258.96	119,174,170.96	118,085,400.03	21,743,029.89

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Employee benefits payable *(continued)*

Details of short-term benefits are as follows:

2017

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	16,537,154.88	88,871,992.93	91,162,590.35	14,246,557.46
Employee bonus and welfare fund	2,816,425.82	184,797.52	–	3,001,223.34
Social insurance	608,358.70	9,428,480.14	10,010,942.54	25,896.30
Including: Medical insurance	558,763.11	8,592,458.71	9,124,525.52	26,696.30
Work injury insurance	25,251.47	441,423.42	467,474.89	(800.00)
Maternity insurance	24,344.12	394,598.01	418,942.13	–
Housing fund	–	8,880,378.95	8,881,954.95	(1,576.00)
Union fund and employee education fund	763,353.25	2,124,172.33	2,107,974.70	779,550.88
	20,725,292.65	109,489,821.87	112,163,462.54	18,051,651.98

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Employee benefits payable *(continued)*

Details of short-term benefits are as follows: *(continued)*

2016

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	16,476,744.93	84,931,124.96	84,870,715.01	16,537,154.88
Employee bonus and welfare fund	2,632,982.30	209,176.02	25,732.50	2,816,425.82
Social insurance	294,683.93	8,624,897.71	8,311,222.94	608,358.70
Including: Medical insurance	258,926.45	7,896,640.33	7,596,803.67	558,763.11
Work injury insurance	18,913.80	351,792.40	345,454.73	25,251.47
Maternity insurance	16,843.68	376,464.98	368,964.54	24,344.12
Housing fund	–	9,023,946.00	9,023,946.00	–
Union fund and employee education fund	750,940.39	1,602,981.64	1,590,568.78	763,353.25
	20,155,351.55	104,392,126.33	103,822,185.23	20,725,292.65

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

18. Employee benefits payable *(continued)*

Details of defined contribution plan are as follows:

2017

	Opening balance	**Increase**	**Decrease**	**Closing balance**
Basic pension insurance	**979,260.56**	**14,938,871.43**	**15,915,084.12**	**3,047.87**
Unemployment insurance	**38,476.68**	**489,440.60**	**535,917.58**	**(8,000.30)**
	1,017,737.24	**15,428,312.03**	**16,451,001.70**	**(4,952.43)**

2016

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	490,180.07	14,062,044.31	13,572,963.82	979,260.56
Unemployment insurance	8,727.34	712,907.32	683,157.98	38,476.68
	498,907.41	14,774,951.63	14,256,121.80	1,017,737.24

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Taxes payable

	31 December 2017	31 December 2016
Value-added tax	**38,512,309.75**	28,593,581.27
Corporate income tax	**10,202,241.66**	2,937,321.92
Business tax	**(45,819.29)**	(1,271,151.95)
Others	**1,751,824.56**	233,034.03
	50,420,556.68	30,492,785.27

20. Dividends payable

	31 December 2017	31 December 2016
Tianjin Wanshun	**7,313,675.00**	7,313,675.00
Beacon Coatings	**3,661,264.71**	3,661,264.71
	10,974,939.71	10,974,939.71

The balance of dividends payable includes RMB5,310,454.70 which was dividend distribution of 2008 according to shareholders' meeting resolution passed on June 2009, and RMB5,664,485.01 which was dividend distribution of 2012 according to shareholders' meeting resolution passed on June 2013.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. Current portion of non-current liabilities

	31 December 2017	31 December 2016
Current portion of government grant (Note V.22)	**3,265,164.61**	2,213,956.03

22. Deferred income

	31 December 2017	31 December 2016
Government grants related to assets/income		
Opening balance	**52,812,978.53**	37,070,198.00
Increase	**24,645,500.00**	18,480,000.00
Recognised	**4,743,961.91**	2,737,219.47
Decrease	**2,859,711.61**	–
Closing balance	**69,854,805.01**	52,812,978.53
Less: Current portion	**3,265,164.61**	2,213,956.03
Closing balance	**66,589,640.40**	50,599,022.50

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Deferred income *(continued)*

Liabilities relevant to government grants as at 31 December 2017 are listed as follows:

	Opening balance	Increase	Recognised as other income	Transfer to others	Current portion	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	3,800,940.69	–	(180,999.00)	–	(180,999.00)	3,438,942.69	Asset
富力桃園 medium pressure pipeline	5,755,555.64	–	(548,148.12)	–	(548,148.12)	4,659,259.40	Asset
Pipeline reconstruction of 2014	13,141,190.46	–	(1,010,583.58)	(2,859,711.61)	(409,845.50)	8,861,049.77	Asset/income
Pipeline reconstruction of 2015	11,840,972.94	–	(526,916.09)	–	(483,120.37)	10,830,936.48	Asset/income
Pipeline reconstruction of 2016	17,036,285.80	–	(874,778.25)	–	(852,809.37)	15,308,698.18	Asset/income
Pipeline reconstruction of 2017	–	20,437,000.00	(323,292.86)	–	(740,720.93)	19,372,986.21	Asset/income
Connecting pipe renovation	–	4,208,500.00	(1,258,610.13)	–	–	2,949,889.87	Income
鄱陽南路睿思路 medium pressure pipeline	1,238,033.00	–	(20,633.88)	–	(49,521.32)	1,167,877.80	Asset
	52,812,978.53	24,645,500.00	(4,743,961.91)	(2,859,711.61)	(3,265,164.61)	66,589,640.40	

Liabilities relevant to government grants as at 31 December 2016 are listed as follows:

	Opening balance	Increase	Recognised as non-operating income	Transfer to others	Current portion	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	3,981,939.69	–	(180,999.00)	–	(180,999.00)	3,619,941.69	Asset
富力桃園 medium pressure pipeline	6,303,703.76	–	(548,148.12)	–	(548,148.12)	5,207,407.52	Asset
Pipeline reconstruction of 2014	13,331,197.54	–	(190,007.08)	–	(190,007.08)	12,951,183.38	Asset/income
Pipeline reconstruction of 2015	12,215,324.01	–	(374,351.07)	–	(442,045.68)	11,398,927.26	Asset/income
Pipeline reconstruction of 2016	–	18,480,000.00	(1,443,714.20)	–	(852,756.15)	16,183,529.65	Asset/income
鄱陽南路睿思路 medium pressure pipeline	1,238,033.00	–	–	–	–	1,238,033.00	Asset
	37,070,198.00	18,480,000.00	(2,737,219.47)	–	(2,213,956.03)	50,599,022.50	

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. Share capital

The registered capital of the Company is RMB183,930,780.00, which was entirely contributed till 11 April 2011.

The investment by investor according to the articles of association of the Company was as follows:

	31 December 2017		31 December 2016	
	RMB	**Percentage (%)**	RMB	Percentage (%)
Tianjin Gas	**129,754,780.00**	**70.54**	129,754,780.00	70.54
Public shares	**50,006,000.00**	**27.19**	50,006,000.00	27.19
Tang Jie	**4,170,000.00**	**2.27**	4,170,000.00	2.27
	183,930,780.00	**100.00**	183,930,780.00	100.00

Note 1: The above share capital has been verified by Tianjian (2001) Yan Zi No.026 capital verification report issued by Pan-China Certified Public Accountants LLP, Jin Guangxin Yan Wai H Zi (2007) No.034 capital verification report issued by Tianjin Guangxin Accounting Firm, Wuzhou Songde Yan Zi (2009) No.0004 and (2011) No.1-0052 capital verification reports issued by Wuzhou Songde Union Accounting Firm.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. Capital reserve

2017 and 2016

	Opening balance	Increase	Decrease	Closing balance
Share premium (note 1)	**788,701,906.45**	–	–	**788,701,906.45**
Others (note 2)	**1,630,445.73**	–	–	**1,630,445.73**
	790,332,352.18	–	–	**790,332,352.18**

Note 1: The Company issued 300,000,000 H Shares and converted 30,000,000 Domestic Shares into H Shares by way of placing for listing of H Shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 January 2004. The Company received net proceeds, after deducting all relevant share issue expenses, of RMB64,667,255.43 from the new issue of shares by way of public offer and placing which included share capital of RMB33,000,000.00 and share premium of RMB31,667,255.43. On 13 March 2008, the Company issued 154,600,000 H Shares at a price of HKD1.90 per share (par value RMB0.10 each) and converted 15,460,000 Domestic Shares into H Shares by way of placing of new shares on GEM. The Company received net proceeds, after deducting all relevant share issue expenses, of RMB253,009,696.34 which included share capital of RMB17,006,000.00 and the premium of RMB236,003,696.34. On 7 April 2011, pursuant to the Assets Acquisition Agreement which the Company entered into with Tianjin Gas, the Company conditionally agreed to acquire assets from Tianjin Gas. To satisfied the consideration, the Company issued 689,707,800 Domestic Shares to Tianjin Gas which represented share capital of RMB68,970,780.00 and the premium of RMB521,030,954.68. The transaction was completed on 11 April 2011.

Note 2: Others were transferred from unsettled payables before the transformation, which could be used to increase capital.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Surplus reserve

2017

	Opening balance	Increase	Decrease	Closing balance
Reserve fund	**77,085,560.98**	**3,695,950.33**	**–**	**80,781,511.31**
Enterprise expansion fund	**33,124,258.34**	**1,847,975.17**	**–**	**34,972,233.51**
	110,209,819.32	**5,543,925.50**	**–**	**115,753,744.82**

2016

	Opening balance	Increase	Decrease	Closing balance
Reserve fund	73,416,690.50	3,668,870.48	–	77,085,560.98
Enterprise expansion fund	31,289,823.10	1,834,435.24	–	33,124,258.34
	104,706,513.60	5,503,305.72	–	110,209,819.32

In accordance with the Company Law of the PRC and the articles of association of the Company, the Company appropriates reserve fund and enterprise expansion fund at 10% and 5% of the net profit.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. Retained earnings

	2017	2016
Retained earnings at the beginning of the year	**625,276,444.20**	593,303,710.92
Net profit attributable to shareholders of the Parent	**40,073,261.21**	37,659,482.52
Less: Appropriation to reserve fund	**3,695,950.33**	3,668,870.48
Enterprise expansion fund	**1,847,975.17**	1,834,435.24
Employee bonus and welfare fund	**184,797.52**	183,443.52
Retained earnings at the end of the year	**659,620,982.39**	625,276,444.20

Pursuant to the board of directors' meeting held on 27 March 2018 (Note XI), a proposed dividend of RMB0.017 will be paid on each of the 1,839,307,800 shares in issue, amounting to a total cash dividend of RMB31,268,232.60. The above proposal needs to be approved at the Annual Shareholders' Meeting. Before the approval of the shareholders' meeting, it will not form part of the Company's liabilities, therefore it was not reflected in the current year financial statements.

27. Revenue and cost of sales

	2017		2016	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	**1,469,163,857.24**	**1,400,787,518.28**	1,198,148,807.39	1,163,988,242.17
	1,469,163,857.24	**1,400,787,518.28**	1,198,148,807.39	1,163,988,242.17

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. Revenue and cost of sales *(continued)*

Revenue is stated as follows:

	2017	2016
Sales of piped gas	**1,324,193,081.15**	1,069,072,833.60
Gas connection income	**122,127,257.74**	110,948,012.77
Gas transportation and rent income	**10,767,404.56**	5,954,083.46
Sales of gas appliances and others	**12,076,113.79**	12,173,877.56
	1,469,163,857.24	1,198,148,807.39

28. Taxes and surcharges

	2017	2016
Business tax	**1,225,332.66**	1,427,364.37
City maintenance and construction tax	**2,016,329.65**	1,115,509.55
Education supplementary tax	**1,438,851.30**	796,792.55
Tenure tax	**457,318.99**	471,740.70
Vehicle use tax	**24,141.67**	21,373.36
Stamp duty	**292,311.46**	153,393.31
Property tax	**391,118.65**	385,926.43
Flood prevention surcharge	**288,550.49**	156,733.27
	6,133,954.87	4,528,833.54

29. Administrative expenses

Administrative expenses for the year 2017 included auditors' remuneration of RMB900,000.00 (2016: RMB960,000.00).

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

30. Finance costs

	2017	2016
Interest income	**(15,780,791.93)**	(13,853,823.01)
Others	**420,204.61**	486,585.48
	(15,360,587.32)	(13,367,237.53)

31. Asset impairment losses

	2017	2016
Bad debt loss	**5,356,573.87**	(1,000,000.00)
Impairment loss of fixed assets	**7,030,969.09**	–
Impairment loss of construction in progress	**408,920.27**	–
Impairment loss of intangible assets	**846,810.32**	–
	13,643,273.55	(1,000,000.00)

32. Investment Income

	2017	2016
Income from long-term equity investments under equity method	**2,439,519.37**	2,540,600.69
Income from wealth management products	**12,944,657.55**	10,822,465.75
	15,384,176.92	13,363,066.44

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

33. Gain on disposal of assets

	2017	2016 Restatement
Gains on disposal of non-current assets	–	282,347.80

34. Other income

Government grants related to daily operation:

	2017	2016	Relevant to asset/income
Tax refund (Note 1)	**1,451,975.85**	–	Income
Deferred income (Note 2)	**4,743,961.91**	–	Asset/income
	6,195,937.76	–	

Note 1: According to 《南政發(1998)54號》 issued by the General Office of Changqing Science, Industry & Trade Zone in Jinnan District, Tianjin, the Group is eligible for tax preference treatment from April 1 2012 to March 31 2022 which contained 10% refund on VAT and 60% refund on local remaining part of business tax in five years. The Group recognised the refund of business tax and VAT actually received of RMB1,451,975.85 in other income.

Note 2: The deferred income was related to the Group's daily operation and pipelines reconstruction projects. Please refer to Note V.22.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

35. Non-operating income

	2017	2016 Restatement
Government grants not related to daily operation	**37,000.00**	–
Tax refund (Note 1)	**–**	4,641,487.64
Heat supply subsidy (Note 2)	**–**	10,543,419.84
Deferred income (Note 3)	**–**	2,737,219.48
Others	**1,000.00**	31,080.14
	38,000.00	17,953,207.10

Note 1: According to 《南政發(1998)54號》 issued by the General Office of Changqing Science, Industry & Trade Zone in Jinnan District, Tianjin, the Group is eligible for tax preference treatment from April 1 2012 to March 31 2022 which contained 10% refund on VAT and 60% refund on local remaining part of business tax in five years. The Group recognised the refund of business tax and VAT actually received of RMB1,451,975.85 in other income. (2016: RMB4,641,487.64, recognised in non-operating income).

Note 2: Pursuant to《市發展改革委市建委市財政局關於我市燃氣供熱虧損及疏導報告》津發改價管[2015]1112, the Group is required to offer discounts to entities which purchase gas from the Group for heating, and the government would provide the Group with subsidy in respect of the discounts. The Group did not receive any heat supply subsidy in 2017.

Note 3: The deferred income was related to the Group's daily operation and pipeline reconstruction projects. It was recognised in other income in 2017, while it was recognised in non-operating income in 2016. Refer to Note V.22 for the details.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

36. Non-operating expenses

	2017	2016 Restatement
Losses on scrap of non-current assets	**2,627,762.99**	1,867,707.84
Others	**1,913,252.17**	1,221,377.84
	4,541,015.16	3,089,085.68

37. Expenses by nature

The supplementary information for the cost of sales and administrative expenses of the Group classified by nature is as follows:

	2017	2016
Cost of piped gas purchased	**1,150,048,540.78**	914,684,446.01
Cost of gas connection services	**49,073,357.63**	47,014,892.04
Employee benefits	**124,738,336.38**	119,174,170.96
Depreciation and amortisation	**54,770,619.10**	53,063,691.87
Rental	**9,600.00**	340,616.60
Others	**50,702,219.15**	54,251,061.53
	1,429,342,673.04	1,188,528,879.01

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Income tax expense

	2017	2016
Current income tax expense	**21,283,392.95**	15,715,678.71
Deferred tax expense	**(7,474,909.28)**	(4,707,314.00)
	13,808,483.67	11,008,364.71

The reconciliation from total profit to income tax expense is as follows:

	2017	2016
Total profit	**52,481,642.62**	47,967,868.03
Income tax expense at statutory or applicable tax rate (note 1)	**13,120,410.65**	11,991,967.01
Income not subject to tax	**(609,879.84)**	(635,150.17)
Expenses not deductible for tax	**13,583.56**	18,728.00
Recognise the unrecognised deductible temporary differences of previous years	**–**	(1,021,618.87)
Adjustments in respect of current tax of previous periods	**917.62**	–
Deductible temporary differences and tax losses not recognised	**1,283,451.68**	654,438.74
Tax expense at the Group's effective tax rate	**13,808,483.67**	11,008,364.71

Note 1: The income tax of the Group is calculated based on the estimated taxable income gained in China and the applicable tax rate.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the year attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is determined according to specific terms of the issue contract and calculated from the date of consideration receivable (normally the stock issue date).

The calculation of the basic earnings per share and diluted earnings per share are as follows:

	2017	2016
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	**40,073,261.21**	37,659,482.52
Shares		
Weighted average number of ordinary shares in issue of the Company	**1,839,307,800.00**	1,839,307,800.00

The Company did not have potentially dilutive ordinary shares as at the date of approval of the financial statements.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Supplementary information to the statement of cash flows

(1) Adjustment of net profit to cash flows from operating activities:

	2017	2016
Net profit	**38,673,158.95**	36,959,503.32
Add: Provision/(reversal) for impairment of assets	**13,643,273.55**	(1,000,000.00)
Depreciation of fixed assets	**53,143,542.56**	51,647,292.30
Amortisation of intangible assets	**1,627,076.54**	1,416,399.57
Increase in provisions	**1,779,195.48**	–
Gains from disposal of fixed assets, intangible assets and other long-term assets	**–**	(282,347.80)
Losses on scrap of fixed assets	**2,627,762.99**	1,867,707.84
Interest income from structural deposits and certificates of deposit	**(15,267,556.13)**	(13,366,864.02)
Investment income	**(15,384,176.92)**	(13,363,066.44)
Increase in deferred tax assets	**(7,474,909.28)**	(2,931,844.01)
Decrease in inventories	**811,758.90**	406,527.46
(Increase)/decrease in operating receivables	**(173,086,060.94)**	5,290,649.19
Increase in operating payables	**36,572,915.16**	82,763,566.28
Net cash flows from operating activities	**(62,334,019.14)**	149,407,523.69

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Supplementary information to the statement of cash flows *(continued)*

(1) Adjustment of net profit to cash flows from operating activities: *(continued)*

Movement in cash and cash equivalents:

	2017	2016
Closing balance of cash	286,395,411.22	742,041,438.93
Less: Opening balance of cash	742,041,438.93	1,003,727,903.07
Net decrease in cash and cash equivalents	(455,646,027.71)	(261,686,464.14)

(2) Cash and cash equivalents

	2017	2016
Cash	286,395,411.22	742,041,438.93
Including: Cash on hand	13,478.65	18,544.61
Bank deposits on demand	286,381,932.57	742,022,894.32

VI. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Details of subsidiaries of the Company are as follows:

	Place of registration /principal place of business	Nature of business	Registered capital	Proportion of shareholding Direct/Indirect	Proportion of votes
Newly established or invested					
天津天聯投資有限公司	Tianjin	Investment	20,000,000.00	100%	100%
烏盟乾生津燃公用事業有限責任公司	Inner Mongolia	Dormant	1,000,000.00	60%	60%
Business combination not involving entities under common control					
貴州津維礦業投資有限公司	Guizhou	Mining business	16,000,000.00	88%	88%
貴州省台江縣國新鉛鋅選礦有限責任公司	Guizhou	Mining business	5,000,000.00	70%	70%

2. Interests in associates

	Place of registration /principal place of business	Nature of business	Registered capital	Proportion of shareholding Direct/Indirect	Accounting method
天津市濱海燃氣有限公司	Tianjin	Gas sales and transportation	7,200,000.00	30.55%	Equity

天津市濱海燃氣有限公司, as an important associate of the Group, engages in the same industry with the Group. The Group adopted equity method to measure this investment and it is not strategic to the Group's operation.

VI. INTERESTS IN OTHER ENTITIES *(continued)*

2. Interests in associates *(continued)*

The table below demonstrates the financial information of 天津市濱海燃氣有限公司, which is adjusted according to accounting differences and adjusted to the carrying amount of the financial statements:

	31 December 2017	31 December 2016
Current assets	**133,308,682.42**	164,472,076.18
Non-current assets	**306,640,787.77**	306,164,488.69
Total assets	**439,949,470.19**	470,636,564.87
Current liabilities	**174,919,629.03**	217,472,599.04
Non-current liabilities	**127,103,926.95**	116,286,244.34
Total liabilities	**302,023,555.98**	333,758,843.38
Net assets	**137,925,914.21**	136,877,721.49
Net assets portion based on shareholding	**42,135,156.11**	41,815,626.95
Adjustment	**3,597,233.35**	3,597,233.35
Carrying amount of investment	**45,732,389.46**	45,412,860.30

	2017	2016
Revenue	**173,645,219.71**	174,112,619.93
Income tax expense	**3,584,789.41**	3,028,069.63
Net profit	**7,985,333.45**	8,316,205.20
Other comprehensive income	**–**	–
Total comprehensive income	**7,985,333.45**	8,316,205.20
Dividends received	**2,119,990.21**	1,579,846.30

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2017

Financial assets

	Loans and receivables	Total
Cash and bank balances	487,228,014.40	487,228,014.40
Bills receivable	192,759,059.65	192,759,059.65
Trade receivables	189,806,806.18	189,806,806.18
Other receivables	13,499,553.24	13,499,553.24
Other current assets	608,013,698.64	608,013,698.64
	1,491,307,132.11	1,491,307,132.11

Financial liabilities

	Other financial liabilities	Total
Trade payables	305,598,160.10	305,598,160.10
Dividends payables	10,974,939.71	10,974,939.71
Other payables	12,188,440.76	12,188,440.76
	328,761,540.57	328,761,540.57

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Classification of financial instruments *(continued)*

31 December 2016

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
Cash and bank balances	742,041,438.93	–	742,041,438.93
Bills receivable	28,947,523.90	–	28,947,523.90
Trade receivables	176,815,553.49	–	176,815,553.49
Other receivables	7,349,468.18	–	7,349,468.18
Available-for-sale financial assets	–	404,181,369.86	404,181,369.86
	955,153,984.50	404,181,369.86	1,359,335,354.36

Financial liabilities

	Other financial liabilities	Total
Trade payables	250,271,945.72	250,271,945.72
Dividends payables	10,974,939.71	10,974,939.71
Other payables	11,312,332.46	11,312,332.46
	272,559,217.89	272,559,217.89

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Risks arising from financial instruments

The Group's principal financial instruments, other than debt investments of available-for-sale financial assets, comprise cash and bank balances. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. In this regard, the Group's risk management policies are outlined below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of trade receivables are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale financial assets, other receivables and other current assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed according to customers, geographic areas and industries. As at 31 December 2017, the Group had certain concentrations of credit risk as 37% (31 December 2016: 40%) and 66% (31 December 2016: 67%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group did not hold any collateral or other credit enhancements over the balances of accounts receivable.

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Risks arising from financial instruments *(continued)*

Credit risk *(continued)*

The maturity profile of the Group's financial assets with no impairment incurred is analysed as follows:

31 December 2017

	Total	Neither overdue nor impaired	Overdue but not impaired 1 to 3 months	3 to 6 months	Over 6 months
Cash and bank balances	**487,228,014.40**	**487,228,014.40**	**–**	**–**	**–**
Bills receivable	**192,759,059.65**	**192,759,059.65**	**–**	**–**	**–**
Trade receivables	**189,806,806.18**	**176,886,397.74**	**2,855,245.79**	**3,494,090.55**	**6,571,072.10**
Other receivables	**13,499,553.24**	**13,499,553.24**	**–**	**–**	**–**
Other current assets	**608,013,698.64**	**608,013,698.64**	**–**	**–**	**–**

31 December 2016

	Total	Neither overdue nor impaired	Overdue but not impaired 1 to 3 months	3 to 6 months	Over 6 months
Cash and bank balances	742,041,438.93	742,041,438.93	–	–	–
Bills receivable	28,947,523.90	28,947,523.90	–	–	–
Trade receivables	176,815,553.49	165,308,261.43	764,634.53	4,966,340.31	5,776,317.22
Other receivables	7,349,468.18	7,349,468.18	–	–	–
Available-for-sale financial assets	404,181,369.86	404,181,369.86	–	–	–

As at 31 December 2017, the Group's trade receivables that were not considered to be impaired mainly related to a number of independent customers that had a good track record with the Group.

Based on past experience, the directors of the Group were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable as of 31 December 2017.

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Risks arising from financial instruments *(continued)*

Liquidity risk

The Group's management monitors the liquidity position of the Group on an ongoing basis to ensure the availability of sufficient cash and cash equivalents to meet operation need and decrease the influence of cash flow fluctuations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2017

	On demand	Within 3 months	3 months to 1 year	Total
Trade payables	–	305,598,160.10	–	305,598,160.10
Dividends payable	10,974,939.71	–	–	10,974,939.71
Other payables	–	12,188,440.76	–	12,188,440.76
	10,974,939.71	317,786,600.86	–	328,761,540.57

31 December 2016

	On demand	Within 3 months	3 months to 1 year	Total
Trade payables	–	250,271,945.72	–	250,271,945.72
Dividends payable	10,974,939.71	–	–	10,974,939.71
Other payables	–	11,312,332.46	–	11,312,332.46
	10,974,939.71	261,584,278.18	–	272,559,217.89

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Risks arising from financial instruments *(continued)*

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits. As the bank deposits of Group are mainly current deposits, no significant interest rate risk exposured by the Group.

3. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business development and maximise shareholders' value.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or dispose assets to settle the liabilities.

The Group's total capital refers to shareholders' equity listed in the statement of financial position. The Group is not subject to any externally imposed capital requirements and monitors capital using gearing ratio.

The gearing ratios as at the end of the reporting period were as follows:

	31 December 2017	31 December 2016
Gearing ratio	**29%**	28%

VIII.FAIR VALUE

1. Assets and liabilities measured at fair value

31 December 2017

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Available-for-sale financial assets	–	–	–	–

31 December 2016

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Available-for-sale financial assets	–	404,181,369.86	–	404,181,369.86

2. Fair value evaluation

Management has assessed cash and bank balances, bills receivable, trade receivables, other receivables, trade payables, dividends payable and other payables, etc, and considers that their fair values approximate their carrying amounts due to the short term maturities of these instruments.

The Group's finance team is led by the finance manager, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the audit committee. At the end of each reporting period, the finance team analyses movements in the fair value of financial instruments and determines the major inputs applicable to the valuation. The valuation must be reviewed and approved by the finance manager. The finance team discusses the valuation process and results twice a year with the Audit Committee for interim and annual financial reporting.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, other than in a forced or liquidation sale.

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Place of registration	Nature of business	Registered capital	Proportion of shareholding (%)	Proportion of votes (%)
Tianjin Gas	Tianjin	Gas sales	1.308 billion	70.54%	70.54%

The Company's holding company is Tianjin Gas and its ultimate holding company is Tianjin Energy Investment Company Limited.

2. Subsidiaries

For details of the subsidiaries, please refer to Note VI.1. Interests in subsidiaries.

3. Associates

For details of associates, please refer to Note VI.2. Interests in associates.

4. Other related parties

	Relationship with related parties
津燃華潤燃氣有限公司	A joint venture of the controlling shareholder
天津濱海燃氣集團有限公司	A subsidiary of the controlling shareholder
天津市燃氣熱力規劃設計研究院有限公司	A subsidiary of the controlling shareholder
天津泰華燃氣有限公司	A subsidiary of the controlling shareholder
天津市液化氣工程有限公司	A subsidiary of the controlling shareholder
天津市裕民燃氣表具有限公司	A subsidiary of the controlling shareholder
天津市聯寅煤氣通信技術有限責任公司	A subsidiary of the controlling shareholder
天津濱海中油燃氣有限責任公司	A subsidiary of the controlling shareholder
天津市益銷燃氣工程發展有限公司	A subsidiary of the controlling shareholder
天津市熱力有限公司	A subsidiary of the controlling shareholder
天津市津能工程管理有限公司	A subsidiary of the controlling shareholder
天津市眾元天然氣工程有限公司	A subsidiary of the controlling shareholder
天津市聯益燃氣配套工程有限責任公司	A subsidiary of the controlling shareholder

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

5. Major transactions between the Group and its related parties

(1) Goods and services between related parties

Purchase of piped gas from a related party

	2017	2016
津燃華潤燃氣有限公司	1,145,168,857.98	905,202,370.11

Gas transportation and rent services provided to related parties

	2017	2016
津燃華潤燃氣有限公司	5,361,999.16	2,350,479.86
天津濱海燃氣集團有限公司	5,405,405.40	3,603,603.60
	10,767,404.56	5,954,083.46

Sales of gas to related parties

	2017	2016
天津泰華燃氣有限公司	176,308,845.21	170,716,976.77
天津濱海中油燃氣有限責任公司	108,476.79	134,950.49
天津市熱力有限公司	562,067.50	–
天津市液化氣工程有限公司	5,941.33	4,932.05
	176,985,330.83	170,856,859.31

Gas connection services provided to a related party

	2017	2016
天津市熱力有限公司	2,195,558.56	–

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and its related parties *(continued)*

(1) Goods and services between related parties *(continued)*

Gas connection services and gas meters installation services received from related parties

	2017	2016
Gas connection services received		
天津市液化氣工程有限公司	9,613,188.18	–
天津市眾元天然氣工程有限公司	886,297.30	–
天津市聯益燃氣配套工程有限責任公司	171,394.05	–
天津市益銷燃氣工程發展有限公司	1,496,656.92	1,828,887.00
	12,167,536.45	1,828,887.00
Gas meters installation services received		
天津市益銷燃氣工程發展有限公司	3,756,972.97	3,212,544.00

Pipeline reconstruction services received from a related party

	2017	2016
津燃華潤燃氣有限公司	253,375.62	–

Purchase of gas meters from a related party

	2017	2016
天津市裕民燃氣表具有限公司	9,018,034.21	8,753,589.74

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and its related parties *(continued)*

(1) Goods and services between related parties *(continued)*

Purchase of internet services from related parties

	2017	2016
天津市益銷燃氣工程發展有限公司	**81,132.08**	–
天津市聯寅煤氣通信技術有限責任公司	**–**	112,830.18
	81,132.08	112,830.18

Property management services received from a related party

	2017	2016
Tianjin Gas	**–**	139,968.00

Construction design services received from a related party

	2017	2016
天津市燃氣熱力規劃設計研究院有限公司	**2,149,995.55**	1,890,313.00

Supervision services received from a related party

	2017	2016
天津市津能工程管理有限公司	**–**	192,384.00

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

5. Major transactions between the Group and its related parties *(continued)*

(2) Related party leases

As leasee of office building

	2017	2016
Tianjin Gas	–	326,592.00

The terms of above transactions were negotiated by both parties according to the marketing prices.

(3) Remuneration of key management

	2017	2016
Remuneration of key management	**2,403,557.02**	2,151,263.89

6. Commitments of gas transportation between the Group and related parties

(1) On 31 January 2016, Tianjin Binhai Gas Group Company Limited（天津濱海燃氣集團有限公司）("Binhai Gas Group"), a subsidiary of the controlling shareholder, made a written promise of the lease of the high pressure gas pipelines of the Group for natural gas transmission from 1 May 2016.

(2) On 25 April 2016, the Group and Binhai Gas Group entered into a gas pipeline lease agreement (the "Gas Pipeline Lease Agreement") in respect of the lease of the high pressure gas pipelines to Binhai Gas Group for natural gas transmission for the period from 1 May 2016 to 30 April 2019. The Group shall have an option, the exercise of which is at its absolute discretion, to renew the Gas Pipeline Lease Agreement based on the same terms and conditions for a further term of two years upon expiration of the original term, from 1 May 2019 to 30 April 2021. The gas pipeline lease fee is RMB6,000,000.00 per year.

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

7. Accounts due from related parties

	31 December 2017	31 December 2016
Trade receivables		
天津泰華燃氣有限公司	**30,465,380.86**	9,065,101.17
天津濱海燃氣集團有限公司	**10,000,000.00**	4,000,000.00
津燃華潤燃氣有限公司	**6,846,174.42**	879,905.35
	47,311,555.28	13,945,006.52

	31 December 2017	31 December 2016
Other receivables		
津燃華潤燃氣有限公司 (Note 1)	**1,794,204.87**	–

	31 December 2017	31 December 2016
Other non-current assets		
津燃華潤燃氣有限公司 (Note 1)	**–**	11,523,250.21

Note 1: According to《市建委關於調整2014年燃氣舊管網改造工程投資計劃的通知》津建字[2014]649號, Tianjin Government approved the Group's pipeline reconstruction projects with total estimated costs of RMB24,205,750.00, of which RMB14,865,750.00 is to be financed by government grants and the remaining balance of RMB9,340,000.00 is to be borne by the Group. The reconstruction projects are to replace certain existing old pipelines, whose net book values are negligible, with new pipelines. Tianjin Government has assigned and hence the Group have entrusted 津燃華潤燃氣有限公司 to manage and execute the reconstruction projects of the Group.

Both of the Tianjin Government and the Group have paid through 津燃華潤燃氣有限公司 the full amount of the total estimated costs of RMB14,865,750.00 and RMB9,340,000.00, respectively.

At 31 December 2017, the pipeline reconstruction has been completed, the Group reclassified the remaining amount which shall be collected from 津燃華潤燃氣有限公司 into "Other Receivables".

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

7. Accounts due from related parties *(continued)*

	31 December 2017	31 December 2016
Prepayments		
天津市裕民燃氣表具有限公司	**5,524,588.48**	7,972,300.00
天津市燃氣熱力規劃設計研究院有限公司	**35,398.00**	35,398.00
	5,559,986.48	8,007,698.00

8. Accounts due to related parties

	31 December 2017	31 December 2016
Trade payables		
津燃華潤燃氣有限公司	**197,372,496.75**	153,504,708.92
天津市液化氣工程有限公司	**12,722,855.29**	1,305,607.85
天津市益銷燃氣工程發展有限公司	**7,859,527.63**	5,041,431.00
天津市裕民燃氣表具有限公司	**3,989,644.02**	3,827,504.27
天津市燃氣熱力規劃設計研究院有限公司	**2,443,485.66**	1,436,387.00
天津市眾元天然氣工程有限公司	**501,447.00**	–
天津市聯益燃氣配套工程有限責任公司	**190,247.85**	–
天津市聯寅煤氣通信技術有限責任公司	**28,760.00**	28,760.00
天津市津能工程管理有限公司	**5,805.00**	5,805.00
	225,114,269.20	165,150,204.04

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

8. Accounts due to related parties *(continued)*

	31 December 2017	31 December 2016
Advances from customers		
天津市熱力有限公司	**–**	2,536,444.10
天津濱海中油燃氣有限責任公司	**92,006.51**	97,545.14
	92,006.51	2,633,989.24

	31 December 2017	31 December 2016
Other payables		
津燃華潤燃氣有限公司	**1,938,797.36**	2,189,679.24
天津市燃氣熱力規劃設計研究院有限公司	**–**	498,000.00
	1,938,797.36	2,687,679.24

Accounts due from and due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

The above transactions between the Group and its related parties constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

X. COMMITMENTS AND CONTINGENCIES

1. Commitments

	2017	2016
Contracted but not provided for:		
Capital commitments	**805,000.00**	805,000.00
	805,000.00	805,000.00

XI. POST BALANCE SHEET EVENTS

Pursuant to the resolution on 2017 profit distribution deliberated at the seventeenth meeting of the fifth session of the board of directors' meeting held on 27 March 2018, the Company proposed to pay a cash dividend totaling RMB31,268,232.60 to all the Shareholders (RMB0.017 per share). The above proposal needs to be approved at the Annual Shareholders' Meeting.

XII. OTHER SIGNIFICANT EVENTS

1. Segment reporting

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(1) Sales of piped gas;

(2) Gas connection;

(3) Gas transportation and rent;

(4) Sales of gas appliances and others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit from continuing operations. The adjusted total profit from continuing operations is measured consistently with the Group's total profit from continuing operations except that interest income, finance costs, dividend income, fair value gains from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

XII. OTHER SIGNIFICANT EVENTS *(continued)*

1. Segment reporting *(continued)*

Operating segments *(continued)*

2017

	Sales of piped gas	Gas connection	Gas transportation and rent	Sales of gas appliances and others	Total
Revenue from external customers	1,324,193,081.15	122,127,257.74	10,767,404.56	12,076,113.79	1,469,163,857.24
Operating profit/(loss)	(18,190,269.44)	72,245,991.53	4,238,962.48	3,947,699.52	62,242,384.09
Add: Investment income					15,384,176.92
Other income					6,195,937.76
Less: Asset impairment losses					13,643,273.55
Administrative expenses					28,555,154.76
Finance costs					(15,360,587.32)
Add: Non-operating income					38,000.00
Less: Non-operating expenses					4,541,015.16
Total profit					52,481,642.62

2016

	Sales of piped gas	Gas connection	Gas transportation and rent	Sales of gas appliances and others	Total Restatement
Revenue from external customers	1,069,072,833.60	110,948,012.77	5,954,083.46	12,173,877.56	1,198,148,807.39
Operating profit/(loss)	(37,365,950.00)	63,355,945.90	259,711.98	3,382,023.80	29,631,731.68
Add: Investment income					13,363,066.44
Gain on disposal of assets					282,347.80
Less: Asset impairment losses					(1,000,000.00)
Administrative expenses					24,540,636.84
Finance costs					(13,367,237.53)
Add: Non-operating income					17,953,207.10
Less: Non-operating expenses					3,089,085.68
Total profit					47,967,868.03

No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the board of the directors for review.

XII. OTHER SIGNIFICANT EVENTS *(continued)*

1. Segment reporting *(continued)*

Other information

Information about products and services

For the revenue classified by category, please refer to Note V.27 Revenue and cost of sales.

Geographical information

All the Group's operations and customers are located in Mainland China; all of its revenue is generated from Mainland China; and all the non-current assets are located in Mainland China.

Information about major customers

In 2017, the Group's operating revenue of RMB535,248,712.27 (which accounted for more than 10% of the Group's total revenue) was derived from sales to a single customer (including sales to a group of entities which are known to be under the control of that customer) (2016: RMB166,955,784.47 from all the entities).

2. Operating lease

As leasee

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payables under irrevocable leases are as follows:

	31 December 2017	31 December 2016
Within 1 year, inclusive	**32,250.00**	16,500.00
1 to 2 years, inclusive	**–**	–
	32,250.00	16,500.00

XII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Remuneration of directors, supervisors and chief executive

Remuneration of directors and chief executive for the current year is disclosed as follows:

	2017	2016
Fees	**300,000.00**	300,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	**425,681.54**	380,092.66
Performance related bonuses	**519,657.00**	526,952.00
Pension scheme contributions	**44,796.24**	41,601.60
	990,134.78	948,646.26
	1,290,134.78	1,248,646.26

(1) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017	2016
Zhang Yinghua	**50,000.00**	50,000.00
Yu Jianjun	**50,000.00**	50,000.00
Guo Jiali	**50,000.00**	50,000.00
	150,000.00	150,000.00

There were no other remunerations payable to the independent non-executive directors during the year (2016: Nil).

XII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Remuneration of directors, supervisors and chief executive *(continued)*

(2) Executive directors, non-executive directors, the chief executive and supervisors

2017

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors:					
Wang Wenxia (note 1)	–	–	–	–	–
Hou Shuangjiang (note 1)	–	–	–	–	–
Tang Jie	50,000.00	–	–	–	50,000.00
Zhang Tianhua (note 1)	–	–	–	–	–
Zhang Guojian (notes 1 and 2)	–	188,567.92	238,637.00	14,932.08	442,137.00
	50,000.00	188,567.92	238,637.00	14,932.08	492,137.00
Non-executive director:					
Li Dachuan (note 1)	–	–	–	–	–
Supervisors:					
Hao Li (note 1)	–	111,921.72	143,010.00	14,932.08	269,863.80
Xu Hui	50,000.00	–	–	–	50,000.00
Yang Huling (note 1)	–	–	–	–	–
Feng Jinhu (note 1)	–	125,191.90	138,010.00	14,932.08	278,133.98
Liu Zhiyuan (note 3)	50,000.00	–	–	–	50,000.00
	100,000.00	237,113.62	281,020.00	29,864.16	647,997.78
	150,000.00	425,681.54	519,657.00	44,796.24	1,140,134.78

XII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Remuneration of directors, supervisors and chief executive *(continued)*

(2) Executive directors, non-executive directors, the chief executive and supervisors *(continued)*

2016

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors:					
Wang Wenxia (note 1)	–	–	–	–	–
Hou Shuangjiang (note 1)	–	–	–	–	–
Tang Jie	50,000.00	–	–	–	50,000.00
Zhang Tianhua (note 1)	–	–	–	–	–
Zhang Guojian (notes 1 and 2)	–	178,132.80	218,130.00	13,867.20	410,130.00
	50,000.00	178,132.80	218,130.00	13,867.20	460,130.00
Non-executive director:					
Li Dachuan (note 1)	–	–	–	–	–
Supervisors:					
Hao Li (note 1)	–	99,994.80	142,606.00	13,867.20	256,468.00
Xu Hui	50,000.00	–	–	–	50,000.00
Xue Youzhi (note 3)	25,000.00	–	–	–	25,000.00
Yang Huling (note 1)	–	–	–	–	–
Feng Jinhu (note 1)	–	101,965.06	166,216.00	13,867.20	282,048.26
Liu Zhiyuan (note 3)	25,000.00	–	–	–	25,000.00
	100,000.00	201,959.86	308,822.00	27,734.40	638,516.26
	150,000.00	380,092.66	526,952.00	41,601.60	1,098,646.26

XII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Remuneration of directors, supervisors and chief executive *(continued)*

(2) Executive directors, non-executive directors, the chief executive and supervisors *(continued)*

Note 1: These directors and supervisors waived their remuneration from 1 January 2015.

Note 2: Mr. Zhang Guojian was appointed as an executive director of the Group. The Company does not have any officer with the title of "chief executive officer" or "chief executive", but the duties of a chief executive officer have been carried out by Mr. Zhang Guojian, the general manager of the Company. The emoluments disclosed above include those for services rendered by him as the general manager of the Company.

Note 3: Mr. Xue Youzhi resigned as a supervisor of the Company with effect from 14 January 2016. On 22 June 2016, Mr. Liu Zhiyuan was appointed as a supervisor of the Group to fill the vacancy.

There was no agreement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(3) Five highest paid employees

The five highest paid employees during the year included one director and one supervisor (2016: one director and one supervisor), details of whose remuneration are set out in Note XII.3.(2). Details of remunerations for the year of the remaining three (2016: three) highest paid employees who are not a director or chief executive of the Company are as follows:

	2017	2016
Salaries, allowances and benefits in kind	**416,729.00**	400,569.03
Performance related bonuses	**513,097.00**	460,447.00
Pension scheme contributions	**44,796.24**	41,601.60
	974,622.24	902,617.63

XII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Remuneration of directors, supervisors and chief executive *(continued)*

(3) Five highest paid employees *(continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2017	2016
Nil to RMB1,000,000	**3**	3

4. Comparative amounts

As further explained in Note III.24 and Note V.33, due to the adoption of new accounting standards, a new line item of "Gain on disposal of assets" is presented under "Operating profit" in the statement of profit or loss to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

The credit period of trade receivables is usually 90 to 180 days. The trade receivables bear no interest.

The aging of trade receivables is analysed below:

	31 December 2017	31 December 2016
Within 1 year	**183,235,734.08**	171,039,236.27
1 to 2 years	**8,222,071.26**	4,275,343.61
2 to 3 years	**3,148,752.88**	4,024,820.01
Over 3 years	**10,471,652.98**	7,953,555.61
	205,078,211.20	187,292,955.50
Less: Provision for bad debts of trade receivables	**15,271,405.02**	10,477,402.01
	189,806,806.18	176,815,553.49

The movements in the provision for bad debts of trade receivables are as follows:

	Opening balance	Provision for the year	Reversal during the year	Closing balance
2017	10,477,402.01	4,884,053.01	(90,050.00)	15,271,405.02
2016	11,477,402.01	–	(1,000,000.00)	10,477,402.01

At the end of 2017, the Company provided bad debts of RMB4,884,053.01 (2016: Nil), and reversed bad debts of RMB90,050.00 (2016: RMB1,000,000.00).

XIII.NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables

The aging of other receivables is analysed below:

	31 December 2017	31 December 2016
Within 1 year	**13,386,099.67**	7,056,644.41
1 to 2 years	**403,413.16**	186,873.77
2 to 3 years	**186,873.77**	–
Over 3 years	**2,375,617.46**	2,375,617.46
	16,352,004.06	9,619,135.64
Less: Provision for bad debts of other receivables	**2,847,288.32**	2,284,717.46
	13,504,715.74	7,334,418.18

The movements in the provision for bad debts of other receivables are as follows:

	Opening balance	Provision in the year	Reversal in the year	Write-off in the year	Closing balance
2017	2,284,717.46	562,570.86	–	–	2,847,288.32
2016	2,284,717.46	–	–	–	2,284,717.46

Other receivables by nature are as follows:

	31 December 2017	31 December 2016
Subsidy	**6,755,500.00**	–
Interest receivable	**3,004,109.59**	4,708,958.76
Employees' borrowings	**1,999,275.87**	2,273,647.50
Others	**4,593,118.60**	2,636,529.38
	16,352,004.06	9,619,135.64

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments

2017

	Opening Balance	Current year movements Increase	Current year movements Decrease	Closing Balance	Impairment at the end of the year
Associates					
– 天津市濱海燃氣有限公司	45,412,860.30	2,439,519.37	(2,119,990.21)	45,732,389.46	–
Subsidiaries					
– 天津天聯投資有限公司	20,000,000.00	–	–	20,000,000.00	(20,000,000.00)
– 烏盟乾生津燃公用事業有限責任公司	600,000.00	–	–	600,000.00	(600,000.00)
	20,600,000.00	–	–	20,600,000.00	(20,600,000.00)

2016

	Opening Balance	Current year movements Increase	Current year movements Decrease	Closing Balance	Impairment at the end of the year
Associates					
– 天津市濱海燃氣有限公司	44,452,105.91	2,540,600.69	(1,579,846.30)	45,412,860.30	–
Subsidiaries					
– 天津天聯投資有限公司	20,000,000.00	–	–	20,000,000.00	(15,000,000.00)
– 烏盟乾生津燃公用事業有限責任公司	600,000.00	–	–	600,000.00	(600,000.00)
	20,600,000.00	–	–	20,600,000.00	(15,600,000.00)

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments *(continued)*

Provision for impairment of long-term equity investments is as follows:

2017

	Opening balance	Increase	Decrease	Closing balance
天津天聯投資有限公司	**15,000,000.00**	**5,000,000.00**	**–**	**20,000,000.00**
烏盟乾生津燃公用事業有限責任公司	**600,000.00**	**–**	**–**	**600,000.00**
	15,600,000.00	**5,000,000.00**	**–**	**20,600,000.00**

2016

	Opening balance	Increase	Decrease	Closing balance
天津天聯投資有限公司	15,000,000.00	–	–	15,000,000.00
烏盟乾生津燃公用事業有限責任公司	600,000.00	–	–	600,000.00
	15,600,000.00	–	–	15,600,000.00

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

4. Revenue and cost of sales

	2017		2016	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Principal operations	**1,469,163,857.24**	**1,400,787,518.28**	1,198,148,807.39	1,163,988,242.17
	1,469,163,857.24	**1,400,787,518.28**	1,198,148,807.39	1,163,988,242.17

Revenue is stated as follows:

	2017	2016
Sales of piped gas	**1,324,193,081.15**	1,069,072,833.60
Gas connection income	**122,127,257.74**	110,948,012.77
Gas transportation and rent income	**10,767,404.56**	5,954,083.46
Sales of gas appliances and others	**12,076,113.79**	12,173,877.56
	1,469,163,857.24	1,198,148,807.39

5. Investment Income

	2017	2016
Income from long-term equity investments under equity method	**2,439,519.37**	2,540,600.69
Income from wealth management products	**12,944,657.55**	10,822,465.75
	15,384,176.92	13,363,066.44

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,469,164**	1,198,149	1,322,843	1,449,386	1,487,827
Net profit for the year and total comprehensive income for the year	**38,673**	36,960	36,689	67,584	81,795
Net profit for the year and total comprehensive income for the year attributable to shareholders of the Parent	**40,073**	37,659	37,341	68,958	85,441

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**1,526,099**	1,403,113	1,259,113	1,172,686	895,677
Non-current assets	**934,444**	958,619	952,096	964,788	1,001,721
Current liabilities	**648,413**	604,081	504,906	478,856	326,484
Non-current liabilities	**66,590**	50,599	36,028	24,693	4,163
Equity attributable to shareholders of the Parent	**1,749,638**	1,709,749	1,672,273	1,635,271	1,566,722

ABOUT THIS REPORT

Time Frame

From 1 January 2017 to 31 December 2017, partial contents are beyond the above time frame.

Guidance for the Report

This report is developed with reference to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong ("SEHK") and the Sustainability Reporting Guidelines issued by the Global Reporting Initiative ("GRI").

Explanations on Data

Historical data cited in this report is the final statistical data. In case of any discrepancies between financial data and annual reports, the latter shall prevail. Unless otherwise stated, Renminbi is used in this report as functional currency.

Publication Form

The Environmental, Social and Governance Report of the Company is in Chinese and English. Please log in http://www.jinrangongyong.com/ for the electronic version.

Explanations on Short Names

For ease of presentation, Tianjin Jinran Public Utilities Company Limited is expressed as "JINRAN PUBLIC", "Company", "we" and "us".

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Communication with Stakeholders

In order to enhance the transparency of the Company, JINRAN PUBLIC attaches great importance to the communication with stakeholders and continual innovation of ways of communication. It also understands the expectations from stakeholders in detail and responds to demands of stakeholders in a timely manner.

Stakeholders	Expectations and Demands	Ways of Communication
Government	Compliance with laws and regulations Local employment enhancement Promoting local economic development	Attending meetings Statistical statements Daily communication
Shareholder	Reasonable returns Compliance operation Corporate governance	Corporate announcements Subject reporting Annual reports
Client	Steady gas supply Strict performance of obligations in accordance with contracts	Daily communication
Employee	Legitimate rights protection Employees' compensation and benefits Employees' training and development	Company's website Labor contracts WeChat platform
Partner	Supplier management Strict performance of obligations in accordance with contracts Win-win cooperation	Fora Daily visiting Seminars Trainings
Environment	Energy saving Maintenance of biodiversity	Publicity of environmental protection Media platform
Community	Communication with communities Charity events in communities Involvement in communities	Company's official website Daily communication On-site participation

Determination of Significant Topics

In the course of daily operations, all functional departments and employees of Jinran Public take initiatives to obtain feedbacks, recommendations and needs from its stakeholders and strive to give prompt response in return. On this basis and with broad reference to the information disclosures of benchmark enterprises in respect of sustainable development, and key concerns for the Group raised by the public represented by the media, as well as based on the development strategies and the status quo of operational management of the Company and with reference to international standards, including the Environmental, Social and Governance Reporting Guide issued by SEHK and the Sustainability Reporting Standards issued by GRI, the Company determined the significant topics on social responsibilities for the current year.

Screening Process of Topics on Environmental, Social and Governance

Topic Sources

– Suggestions from the management of the Company

– Analysis and recommendations from internal and external experts

– Analysis on multimedia information

– Benchmarking research on domestic and overseas players in the industry

– Guidance on social responsibility

Screening Criteria

– Contribution to sustainable development

– Common concerns of stakeholders

– Emphasis of Guidance on social responsibility

– Satisfying demands arising from strategic development of the Company

Substantive Screening Results

1. GAS SAFETY

With production safety as its first priority, the Company has established a precise responsibility system to continuously improve the development of safety management system while strengthening the safety training of employees to enhance their safety awareness and safety skills. Adhering to the concept of "hidden dangers lead to accidents", the Company has spared more efforts on the inspections and rectifications of hidden dangers so as to ensure the occupational safety of employees as well as residents' safety while using gas.

1.1. Safety risk management and control

The Company has strengthened safety management and the development of systems by formulating various safety management systems, operating procedures, assessment standards, and safety emergency plans. In 2017, the Company improved and revised more than 20 safety management systems and safety operating procedures covering all businesses, providing clear working standards for routine safety work and safety inspections. The Company revised the safety and environmental protection responsibility system to define the safety responsibilities for each functional department; conducted in-depth safety inspections and safety assessment and management, and controlled the implementation of various tasks and the progress of rectification of hidden dangers in real time, and strengthened daily assessments and rewards and penalties, providing guarantee of responsibility system for the Company's production safety.

In terms of emergency mechanism development, the Company has revised and improved a number of comprehensive emergency plans, special emergency plans and on-site emergency response and disposal plans, and has also filed records with the local government, to effectively standardize the management of emergency plans. In 2017, the Company implemented a total of more than 50 special emergency response inspections and 20 emergency drills. Besides, the Company also comprehensively improved the emergency team building by signing safety agreements with rescue agencies, regularly organizing joint drills, training internal daily emergency crew and emergency personnel, purchasing emergency equipment, supplies and spare parts, etc.

The Company put more efforts in its safety inspections and hidden danger rectification, and conducted more than 120 safety inspections throughout the year, including the three levels of inspections, namely monthly inspection by company leaders, weekly inspection by subordinate units and daily inspection by team members, the safety supervision during public holidays, seasonal inspection and special businesses inspections of user security, ventilation ignition and gas station. The Company also revised its hidden danger identification and rectification system, organized and carried out a number of special hidden safety hazards rectifications, in which a total of more than 100 hidden dangers were identified and all of them were rectified. Besides, the Company introduced new testing equipment, equipment and facilities and invested a total of more than RMB9.7 million for technological transformation throughout the year.

1.2. Employees' safety training

In 2017, in strict accordance with the relevant provisions of the national security education and training, the Company organized various safety education and training activities, including trainings for management to obtain qualification certificates, new employee orientation, the three-level education, and training for all staff. In 2017, the Company held a range of training sessions on identification of the risk factors in workplace environment, and informed operating personnel of the risks. Besides, a variety of seminars lectured by senior experts in the industry were offered to operating personnel raise their awareness of labor protection. The Company has launched regular special training for workers performing special and dangerous operations, and provided trainings on obtaining work license for various types of workers and confined-space workers, so as to achieve full coverage of safety education for operating personnel and management, and to fully raise the safety awareness of operating personnel. During the year, the total number of employee who attended safety trainings of the Company was 500, and the training hours reached 3,000. In addition, the Company conducted a total of 1,600 hours of training by positions, 5,184 hours of training on obtaining work license, and 360 hours of the three-level education and training for new employees.

In compliance with the relevant national regulations, the Company has established a system of workers protection against occupational contraindications, under which we arranged physical examinations for employees every year, prohibited workers with hypertension or heart diseases from engaging in occupations that may cause them catch such diseases and also strictly observed the relevant national regulations on protection of female workers. The Company has taken measures to protect against heatstroke during summer and against cold and freezing during winter. Specifically, we arranged operations in periods of time with relatively low temperature and took other heatstroke prevention measures such as distributing sunstroke prevention articles in summer days with high temperature. We also provided cold protection products for the sake of the health of employees in winter. In addition, special funds are invested by the Company in the purchase of labor protection products every year, and daily inspections are carried out through the labor union's three-level labor protection network to supervise the wearing of workers' labor protection products. During the reporting period, the Company invested more than RMB600,000 in the purchase of labor protection products.

1.3. Guarantee Gas Use Safety

The Company attaches importance to the safe use of gas by its customers. It regularly conducts indoor safety inspection and publicizes the safe use of gas for residential, industrial and commercial users every year, so as to discover indoor safety hazards in a timely manner and promptly rectify and eliminate them. The Company also promotes gas use safety knowledge to users by handing out materials and leaflets about safety promotion. In 2017, the Company organized a range of large safety promotion campaigns in communities including a total of 15 "safe month" activities, 117 "gas safety" themed events, and daily publicity in key communities, with an aim to raise the users' safety awareness. At the same time, to strengthen indoor safety inspection management, the Company has designated a functional department to conduct supervision and indoor spot checks, and to develop and update database of users with indoor hidden dangers, as well as conduct timely inspection on key users to ensure the safety of indoor gas. In 2017, the Company conducted indoor safety inspections for 524,924 households, and the indoor safety inspection rate for all our users was 85%[1].

2. QUALITY SERVICE

Gas is an important resource for regional economic development and is also one of the key factors for maintaining the stability of the people's livelihood in communities. Jinran Public deeply understands the importance of providing quality gas service to the government, customers and the public, and thus constantly improves the construction of pipeline networks and strengthens the management and control of suppliers to provide quality and efficient services to customers and ensure the stable source of gas.

[1] The remaining 15% of users failed to accept indoor safety inspections for various reasons, such as households that are installed with gas piping but are not occupied; long-term unoccupied households; users who did not cooperate with us for indoor safety inspections for various reasons. For such users, the Company has timely adopted new technologies such as laser detectors for outdoor leaking points scanning to ensure timely identification of leaking points. Meanwhile, it has visited and requested the residential committees, property management companies, sub-district offices, and police stations to help find the users with its best effort to undergo timely indoor safety inspections.

2.1 STABILIZE GAS SUPPLY

Jinran Public has integrated its own business development with the fulfillment of its social responsibilities by continuously improving the construction of pipeline network facilities, optimizing the gas supply emergency plans, strengthening safety management and ensuring the full supply of gas sources. The Company has enriched the pipeline network data monitoring methods and performed line patrol, inspections, urgent repairs, maintenance and other work in strict accordance with the Company's pipeline network management system. At the same time, the Company basically has its gas supply in a ring network, whether inside or outside the main ring pipeline network, and could reduce the scope of impact from gas supply stoppage by closing the corresponding valves with problems. In addition, the Company has provided gas supply for the two Pressure Reducing Stations of Lishuang Road and Dongting Road, which has effectively ensured the stability of gas sources in the region.

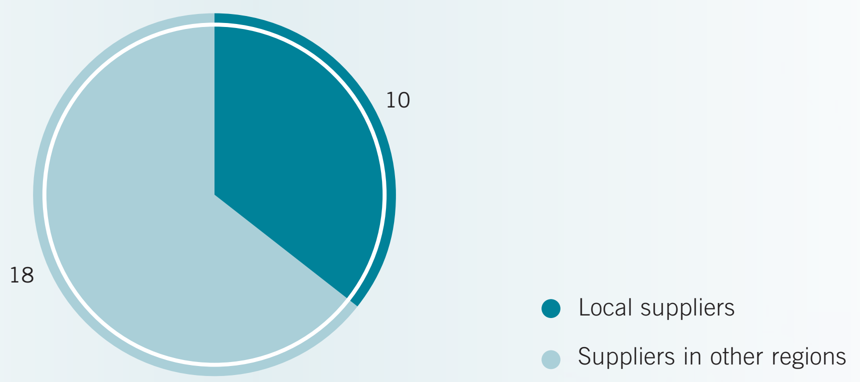
In 2017, the Company together with China Telecom Tianjin Branch and Tianjin Yumin Gas Meter Co., Ltd（天津市裕民燃氣表具有限公司）jointly launched smart gas meters, which apply a new generation of narrow-band Internet of Things (NB-IoT) technology featured extensive network coverage, large number of connections and low power consumption to realize remote reading of gas meters and automatic data upload, making it easy for communities' residents to pay gas fees by mobile phones. In the future, it is expected that smart gas meters will be equipped for hundreds of thousands of residents in Tianjin to achieve stable data transmission and interactive functions of all nodes of the gas pipeline network in Tianjin, effectively promoting the development of intelligent gas pipeline networks.

2.2 Suppliers management

Jinran Public has continuously strengthened supplier management and has built up sound procurement and supplier management systems. In accordance with the Equipment and Materials Management System of Tianjin Jinran Public Utilities Company Limited (《天津津燃公用事業股份有限公司設備物資管理制度》), the Company collected relevant information of suppliers, including business licenses, tax registration certificates, organization code certificates, account opening licenses, quality management system certification certificates, and the types and models of products produced by suppliers, and evaluated suppliers' qualification, capital, and credit rating based on the information provided to improve the supplier database. In the process of approving suppliers, the Company took full consideration into the impact of suppliers on the environment and society and regarded them as key evaluation criteria.

In addition, the Company has continuously strengthened its communication and cooperation with suppliers. In addition to daily e-mails, telephone, and conference exchanges, the Company paid irregular visits to suppliers to conduct on-the-spot investigation into the suppliers' qualifications and actual production conditions of their companies, and carried out exchange meetings with suppliers to enhance the communication on both sides.

The number of suppliers of Jinran Public by region



2.3 Customer service

In order to improve service levels and customer satisfaction, optimize service functions, improve service management and staff quality, build a pragmatic, efficient, and clean enterprise service image, and improve service system and service management system, the Company has established the Measures for Disposal of Customer Service Hotline Answering and Reporting of Tianjin Jinran Public Utilities Company Limited (《天津津燃公用事業股份有限公司客服接報處置辦法》) and the window service responsibility system of the persons in charge of the Tianjin Branch Office to clearly define the customer services and the persons in charge of each branch. The Company has actively promoted standardized services, provided one-stop service for customers, and has introduced various methods such as 24-hour hotline, online payment, mobile APP, bank self-service terminals to enable customers to efficiently and quickly get a number of services, including making registrations for pipeline demolition, modification and relocation and for single-user gas supply, opening account and applying for IC gas card, purchasing gas through IC card meter, paying gas fees through mechanical gas meter, consultation, and requesting for repair. At the same time, in order to strengthen the supervision by the public over the Company, it requires all business offices to post standardized service standards on the wall to ensure that customers are provided with quality and efficient services.

In addition, the Company attaches great importance to the opinions of its customers, and thus conducts annual customer satisfaction surveys, to get an in-depth understanding of customer needs and feedbacks, which serves as an important basis for customer service enhancement. The Company opened a customer complaints service hotline, developed a sound complaint handling mechanism for all customer complaints, and adopted a standardized process to handle customers' complaints and pay return visits to them. In 2017, 99.39% of the Company's customer complaints were handled in a timely manner.

3. GREEN DEVELOPMENT

The Company takes the initiative to undertake social and environmental responsibilities and provides clean and environmentally friendly energy for the regions where its businesses are operated. At the same time, the Company pays attention to the protection of natural resources and is committed to creating an environment-friendly working environment by striving to reduce the impact of its operations on the environment through various measures of energy conservation and emission reduction.

3.1 Develop clean energy

Natural gas is regarded as the most ideal clean energy in the 21st century as its combustion mainly generates carbon dioxide and almost produces no pollutants such as sulfides and particles compared with other fossil fuels. In the Thirteenth Five-Year Plan, natural gas shall be the main source of energy in the future and shall lead the energy market in the future. Natural gas shall mitigate the energy shortage and environmental pollution of the PRC, and is an ideal energy for sustainable development. With the successive release of such framework documents as the Plan of Action for the Prevention and Control of Air Pollution (《大氣污染防治行動計劃》), Detailed Rules for Implementation of the Action Plans for the Prevention and Control of Air Pollution in the Beijing-Tianjin-Hebei Region and the Surrounding Regions (《京津冀及周邊地區落實大氣污染防治行動計劃實施細則》), and the Plan for Strengthening the Prevention and Control of Atmospheric Pollution in Energy Industry (《能源行業加強大氣污染防治工作方案》), the Company continued to made active efforts to comply with the requirements of national policies in 2017, made full use of its own businesses to provide clean energy for the city, and continued to actively promote the implementation of gas-replace-coal or gas-replace-oil projects, making contributions to drive the whole society to deal with climate change and improve air quality. During the reporting period, the Company implemented a total of 4 gas-replace-coal/gas-replace-oil projects, and the gas consumption from the finished project has reached 2,320 m^3/hour.

In 2017, the Company actively assisted other companies to promote their implementation of gas-replace-coal/gas-replace-oil projects and reduced or remitted the engineering costs for some companies. For example, during the furnaces retrofitting projects of Daqiaodao Food Co., Ltd.(大橋道食品有限公司) which has large gas consumption, the Company formulated a special plan after discussions with the Design Institute. Instead of adopting the usual single pipeline gas supply design plan, it adopted dual pipelines of dual gas sources to ensure stable gas supply, and reduced project supporting costs under the condition of maintaining profits. In addition, during the process of transforming the Bailiheng Hotel(百利恒大酒店), the Company actively negotiated with the Jinnan District Government to charge the District Construction Committee the construction cost of the external pipeline network so as to reduce the financial burden of the Hotel and lay a good foundation for the development of clean energy in the surrounding area.

As of the end of 2017, the Company sold 539,493,345 cubic meters of pipeline natural gas, with its gas pipeline network reaching 2,415.22 kilometers, and gas users amounting to 524,924 households.

3.2 Green construction

The environmental impacts caused by the Company during the construction process mainly include gas leaks from pipeline connections, construction noise, waste rock and earth as well as other solid wastes produced during constructions. Therefore, the Company has introduced a number of advanced technologies and equipment to reduce the environmental impact of construction.

The Company introduced connection without cutting gas supply technology, through which it can drill holes in existing pipelines without suspending gas supply and connect them with new pipelines, and concurrently backfill holes to form a closed pipeline network, effectively avoiding the release of gas in the pipelines into the atmosphere while maintaining stable gas supply. In addition, when the project requires cutting open the pipeline for construction, the contractors must first stop gas supply, and then cut the pipeline after the residual gas in the pipeline is totally consumed, to avoid the release of residual gas in the pipeline into the atmosphere. The Company also quickly and accurately locates leaking points on natural gas pipeline on the ground by using methane detector[2] and laser detector[3], so that excessive gas leakage which may be caused by cutting pipelines could be avoided.

In order to reduce the impact of construction on the surrounding communities, the Company required contractors to use silent generators and avoid operations during the night.

For the earth and stone excavated during construction, the Company requires contractors to backfill in time, and timely collect or cleanup the industrial solid waste and domestic garbage on the construction site. In 2017, a total of 130,791 cubic meters of waste earth and stone were produced by the Company during constructions and all of them were backfilled.

2 Methane detector is used to determine whether there exists gas leakage in underground gas pipelines by analyzing suspicious gas composition (containing ethane or not).

3 Laser detector is used to calculate the concentration of the natural gas in the underground gas pipelines by calculating the content of the combustible ingredient in the air through laser ray reflection.

3.3 Green Office

In strict compliance with national laws and regulations, the Company has continuously strengthened the control over the use of energy and resources, and taken various measures to reduce the energy and resource consumption in offices. The main energy consumed by the Company are electricity, purchased thermal power and gasoline and the main resources are water and paper. The Company advocates the concept of green office and thus takes the following measures: installing and using energy-saving lamps, and turning off the lighting equipment and air conditioners during non-office hours; strengthening the control of official vehicles usage to reduce the consumption of gasoline; encouraging employees to save water, and setting monochrome and duplex printing on the printers during daily business operation as default; and using conference calls as much as possible to reduce unnecessary business trips.

During the reporting period, the Company's total power consumption was approximately 887,000 kWh, purchased thermal power was approximately 9666.2 million kJ, gasoline consumption was approximately 32,000 liters[4], water consumption was approximately 21,000 tons[5], total greenhouse gas emissions were approximately 2.219 million tons of carbon dioxide equivalent[6], and the energy consumption per RMB10,000 of revenue was about 0.093 ton of standard coal/RMB10,000[7].

The waste generated by the Company mainly includes hazardous waste such as waste computers and waste battery and general waste such as waste paper and kitchen waste. In accordance with national laws and regulations, the Company outsources the waste to qualified external agencies for safe and legal disposal. In 2017, the Company generated a total of approximately 1.3 tons of electronic waste, approximately 1.12 million liters of kitchen waste, and approximately 1.34 tons of waste paper.

4 The scope of statistics of power consumption, purchased thermal power usage, and gasoline usage covers the Company's headquarters, branch offices in Tianjin, and Jining Branch Office.

5 The scope of statistics of water consumption covers the Company's headquarters and branch offices in Tianjin and without calculating the amount of water consumed by the Jining Branch Office as it only consumes water during daily office operations, and the consumption is small due to its small number of staff.

6 The greenhouse gas emissions disclosed in this report are calculated based on electricity consumption, purchased thermal power usage, gasoline usage, and fresh water usage, and according to the emission factors specified in the 2013 National Energy Yearbook (國家能源年鑒2013版).

7 The energy consumption per RMB10,000 of revenue was calculated based on electricity consumption, purchased thermal power usage and gasoline usage and according to the discount coefficient specified in the General Principles for Calculation of the Comprehensive Energy Consumption (《綜合能耗計算通則》) (GBT2589-2008).

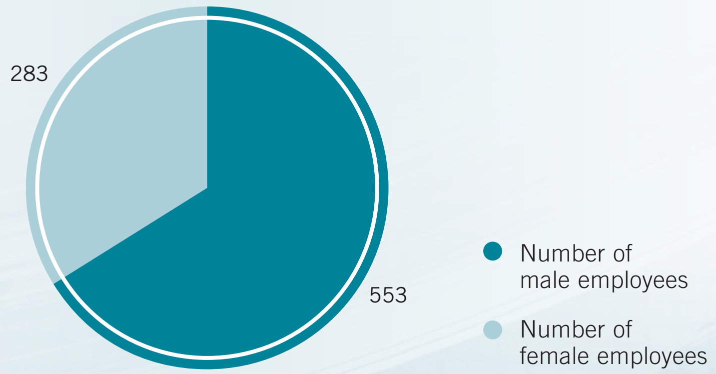
4. ALL-WIN HARMONY

The long-term and stable development of Jinran Public cannot be without the support of the Company's employees and the public. The Company also regards its employees and the community as our important partners, therefor actively protects the employees' legitimate rights and interests, and provides them with diverse development opportunities and broad development space. Meanwhile, the Company is committed to creating a good working and living environment for employees, as well as paying attention to the physical and mental health of employees. We have raised the awareness of residents on gas safety and promoted the development of people's livelihood in a number of communities through public welfare publicity activities in those communities.

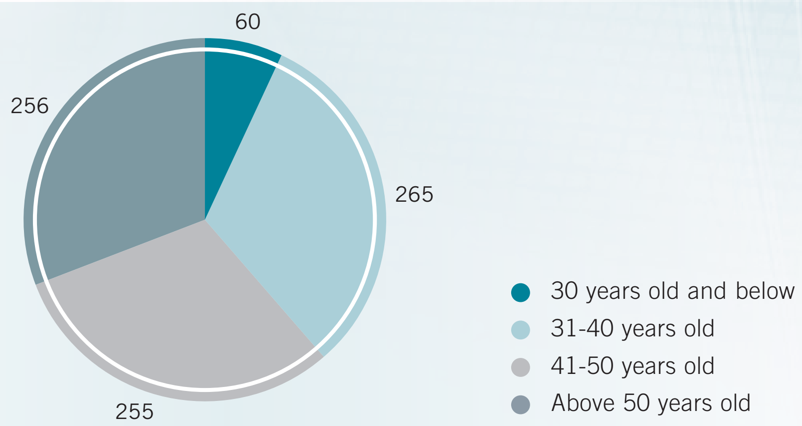
4.1 Protect employees' rights and interests

In strict compliance with national laws and regulations, and according to its own business characteristics, Jinran Public formulated the Human Resources Management System of Tianjin Jinran Public Utilities Company Limited (《天津津燃公用事業股份有限公司人力資源管理制度》) and Duty System of Tianjin Jinran Public Utilities Company Limited (《天津津燃公用事業股份有限公司值班制度》), which provide specific regulations on employment management, job changes, check on work attendance, leave, education and training, salary system, labor welfare, reward and punishment regulations, and performance assessment, clearly stipulate standardized employment, and forbid the use of child labor and forced labor. The Company implements a labor contract system for all employees and handles the procedures for the signing, changing, cancellation, termination of labor contracts for employees according to laws. At the same time, the Company publicly recruits and introduces talents required for company development through various forms, and standardizes the recruitment form, procedures, and management of new employees. In 2017, the Company had a total of 836 employees.

Number of employees of Jinran Public by gender



Number of employees of Jinran Public by age



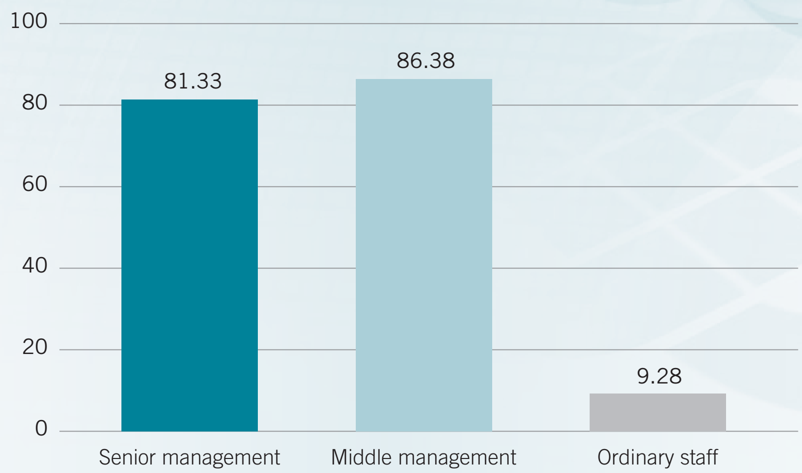
4.2 Employees' training and development

Employees' ability enhancement and career development are the source and driving force for the steady development of Jinran Public. The Company has continuously optimized the promotion mechanism and improved the Position Competition System of Tianjin Jinran Public Utilities Company Limited (《天津津燃公用事業股份有限公司競聘上崗制度》) and Performance Appraisal System of Tianjin Jinran Public Utilities Company Limited (《天津津燃公用績效考核制度》), which standardize performance appraisal and talent selection process. The Company uses democratic evaluation, written examination, talent assessment and interview to implement a comprehensive assessment on employees so as to ensure the just, fair and open promotion of them.

At the same time, the Company has established a sound training mechanism for employees to promote the improvement of employees' business capabilities and management capabilities. Through the Staff Training and Management System of Tianjin Jinran Public Utilities Company Limited(《天津津燃公用事業股份有限公司員工培訓管理制度》), the Company ensures that staff training is systematic and comprehensive, and participated by all employees, and makes statistics and management of employee trainings by adopting a comprehensive training attendance checking system. The Company has adopted a wide range of training methods, such as new employee training, internal department training, departmental cross training, general external training, professional external training, short-term training, long-term education, etc. to comprehensively enhance the employees' comprehensive quality and professional skills. In addition, the Company organized management personnel to participate in various trainings conducted by Tianjin Municipal Committee of Industry and Information Technology regarding work efficiency and time management, leadership building and improvement and corporate culture construction, which greatly improved the management efficiency of the Company's leadership.

In 2017, the Company had 727 employees attending trainings and the training coverage rate reached 89.89%.

Average training hours for different level of staffs



4.3 Care for staff

Jinran Public has always regarded employees' physical and mental health and work-life balance as the guarantee for the sustainable development of the Company and thus actively created a harmonious and warm company atmosphere. In order to enrich the cultural and sports life of employees, the Company has taken initiatives to organize and participate in various cultural and sports activities, such as badminton competitions, table tennis competitions, and the May Day Sports and Fitness Carnival organized by the Municipal Federation of Trade Unions. It also regularly organizes employees to conduct physical examinations to maintain the health of employees. In addition, the Company is very concerned about the living conditions of employees in difficulties and thus developed the Employees in Difficulties Supporting System (《困難職工幫扶制度》) during the year, which specifies that the Company's labor union shall provide employees in difficulties with such assistance as difficulty relief, legal advice, receipt of visits by letters and on-spot visits, and pay regular visits and send condolences to them. The Company has resolutely safeguarded the legitimate interests of its female employees and actively carried out series of activities such as female employees' rights protection activities, soliciting articles themed female employees' rights protection, and fun contest for female employees in"March 8 Women's Day", and given special care to female employees. In 2017, full attendances for physical examinations of the Company has been achieved and the staff were all covered by social insurance.

4.4 Combat corruption and uphold integrity

In strict compliance with relevant national and regional laws and regulations, Jinran Public has formulated the Anti-corruption and Clean Management System(《反腐廉潔管理制度》), and constantly improved the supervision mechanism to promote the normalization of the Company's clean governance building. At the same time, the Company has paid attention to strengthening anti-corruption education for its employees, by creating a whitehanded corporate atmosphere internally and externally, continuing to implement the Anti-Corruption Education System《反腐倡廉教育制度》, conducting centralized training for employees every half year, and encouraging independent study for employees. In 2017, the Company had no litigation due to corruption.

4.5 Community Interest

Jinran Public has been actively practicing social responsibilities through promoting knowledge on safe use of gas to the residents of communities and raising public awareness of gas safety, which contributed to improving the overall gas safety performance. Jinran Public's branches paid active visits to neighborhood groups and committees, and paid special visits to the elderly living alone and special households. Meanwhile, a range of campaigns such as the Gas Safety Promotion Day on 7 November each year and 100-day Safety Promotion Campaign were organised to promote gas safety by means of visiting households, communities and campuses and via media publications. In addition, the Company has posted safety tips, cautionary notes and laws and regulations regarding gas safety in the reception rooms of business offices, to provide broad information on safe use of gas to the public at large.

On 1 July 2017, the Company organised a community service activity at the Rulinyuan Community (儒林園小區) in Hexi District (河西區) to offer free consulting services in gas safety to local gas users. In addition, the Company has carried out a large safety service activity "Gas At Home (燃氣寶寶在我家)" in communities for years to promote gas safety in communities, schools, markets, streets and other public places through various means such as posting posters, organising knowledge lectures, bike ride events and distributing promotion materials. The activity specially targeted at issues like lack of safety awareness and existing hidden dangers in gas use, which effectively raised the community residents' awareness of gas safety and ability to handle dangerous situations.