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

2018

CONTENTS

COMPANY INFORMATION

DIRECTORS

Executive Directors

Zhao Wei *(Chairman) (appointed on 26 June 2018)*
Tang Jie
Wang Quan Hong *(appointed on 26 June 2018)*
Zhang Tian Hua *(retired on 26 June 2018)*
Wang Wen Xia *(retired on 26 June 2018)*
Zhang Guo Jian *(retired on 26 June 2018)*

Non-executive Directors

Hou Shuang Jiang *(redesignated as non-executive Director since 26 June 2018)*
Wang Jin *(appointed on 26 June 2018)*
Zhao Heng Hai *(appointed on 26 June 2018)*
Li Da Chuan *(retired on 26 June 2018)*

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
You Hui Yan *(appointed on 26 June 2018)*
Feng Jin Hu *(retired on 26 June 2018)*

SHAREHOLDERS REPRESENTATIVE SUPERVISOR

Yang Hu Ling

COMPANY SECRETARY

Lau Kwok Yin *(appointed on 24 May 2018)*
Wong Yat Tung *(resigned on 24 May 2018)*

AUTHORISED REPRESENTATIVES

Wang Quan Hong *(appointed on 26 June 2018)*
Lau Kwok Yin *(appointed on 24 May 2018)*
Zhang Guo Jian *(resigned on 26 June 2018)*
Wong Yat Tung *(resigned on 24 May 2018)*

BOARD COMMITTEES

Audit Committee

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

Nomination Committee

Zhao Wei *(Chairman) (appointed on 26 June 2018)*
Zhang Ying Hua
Yu Jian Jun
Zhang Tian Hua *(retired on 26 June 2018)*

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

40th Floor, Sunlight Tower,
No. 248 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

LC Lawyers LLP
Suite 3106, 31/F, One Taikoo Place
979 King's Road,
Quarry Bay, 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

	2018 RMB'000	2017 RMB'000
Revenue	**1,519,526**	1,469,164
Operating profit	**53,138**	56,985
Net profit attributable to shareholders of the Parent	**39,721**	40,073
Equity attributable to shareholders of the Parent	**1,759,408**	1,749,638
Total assets	**2,493,585**	2,460,543

	2018 RMB	2017 RMB
Earnings per share		
Basic RMB	**0.02**	0.02

CHAIRMAN'S STATEMENT

To all the shareholders (the "Shareholders") of Tianjin Jinran Public Utilities Company Limited (the "Company"):

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 (the "Year" or the "Reporting Period" or the "Period").

The year 2018 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 2018.

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 2019 for the Group's shareholders.

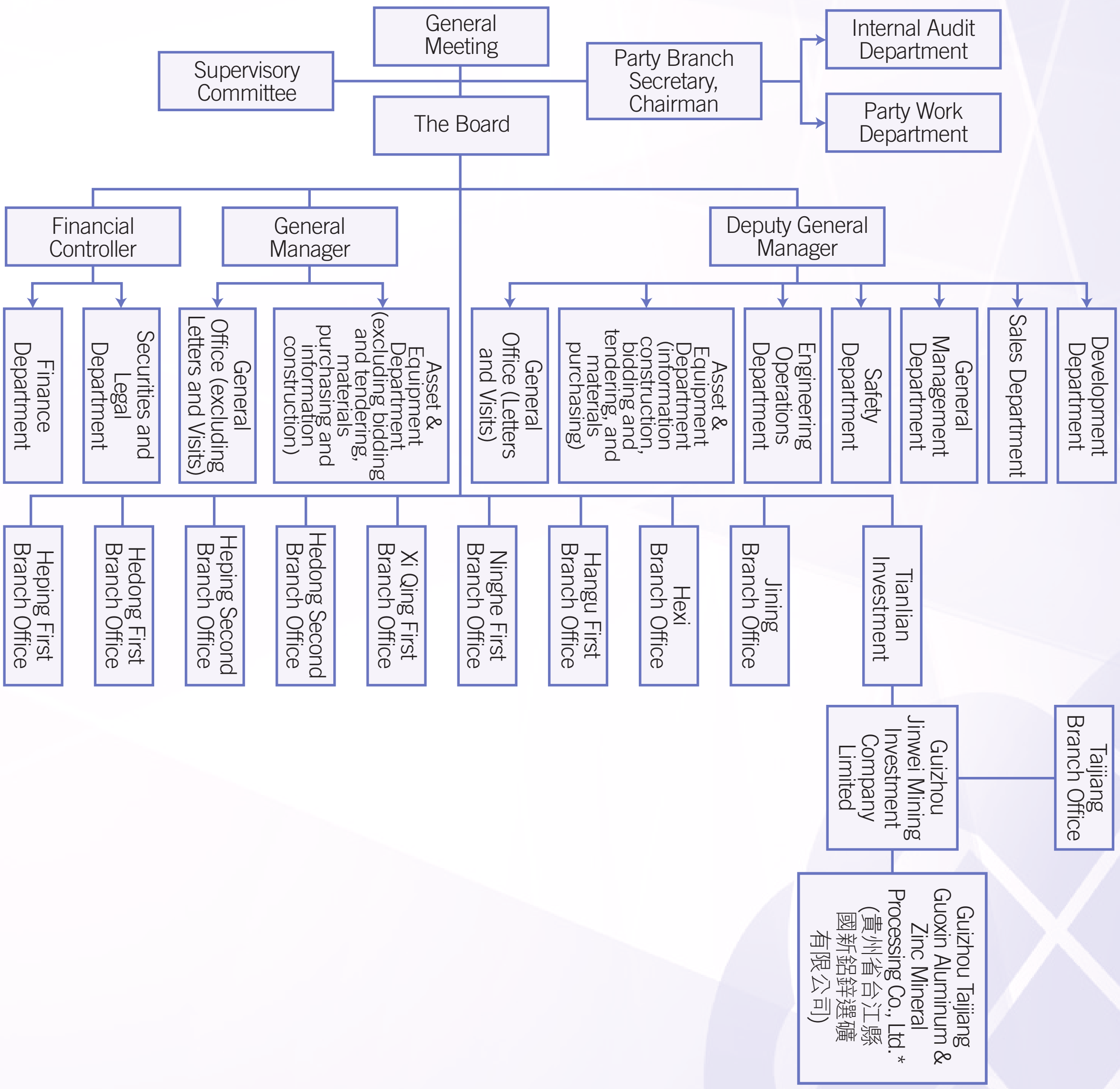
Zhao Wei
Chairman

The PRC, 27 March 2019

The year ended 31 December 2018 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 2019.

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 of Hong Kong Limited (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.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the year of 2018, 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 monopolised. 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 2019, 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 realise 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 ended 31 December 2018 (the "Year"), the Group reported a revenue of approximately RMB1,519,526,000 representing an increase of approximately 3% as compared with the year ended 31 December 2017 (the "Previous Year"). The gross profit margin decreased from approximately 4.24% for the Previous Year to approximately 2.26% for the year ended 31 December 2018. The profit before tax from continuing operations for the year ended 31 December 2018 amounted to approximately RMB53,215,000 (2017: approximately RMB52,482,000) representing an increase of approximately 1% from the Previous Year.

The financial performance of the Group remained stable, with slightly increase. 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 2018, the Group had cash and cash equivalent of approximately RMB511,286,000 which was principally denominated in RMB (2017: RMB286,395,000), and 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 assets ratio) as at 31 December 2018 was approximately 0.30 (as at 31 December 2017: approximately 0.29).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Board has adopted a policy for investment that on the premises that the Company can carry on its operations normally, for the purpose of increasing the utilization of capital, the Company intends to purchase principal-guaranteed wealth management products with its idle funds and the total purchase amount of which shall not exceed RMB1 billion. The general manager of the Company has been authorised by the Board to confirm with the banks/financial institutions the types, amounts, periods and other relevant details of the wealth management products to be subscribed and to sign on behalf of the Company relevant legal documents with the banks/financial institutions in compliance with the Listing Rules, the articles of association of the Company and other laws and regulations.

As at 31 December 2018, the "held-for-trading financial assets" balance was RMB606,575,890.41, which represented the total fair value amount from the subscriptions of wealth management products as at 31 December 2018, namely with 華夏銀行股份有限公司天津分行 (Huaxia Bank Co., Ltd*) ("Huaxia Bank"), 上海銀行股份有限公司 (Bank of Shanghai Co., Ltd*) ("Bank of Shanghai") and 中信銀行股份有限公司 (China CITIC Bank Corporation Limited) ("CITIC Bank"), which were announced on 12 September 2018 (the "Huaxia Bank Announcement"), 21 September 2018 (the "Bank of Shanghai Announcement") and 27 September 2018 (the "CITIC Bank Announcement", together the "Wealth Management Announcements"), respectively. Details of held-for-trading financial assets are set out in note V.2 to the financial statements.

Each of Huaxia Bank, Bank of Shanghai and CITIC Bank is a licensed bank established under the laws of the PRC.

As at 31 December 2018, the fair value of each wealth management product subscribed to by the Company was determined in accordance with the Accounting Standards for Business Enterprises in the PRC and calculated in accordance with net return formula as announced in each of the Wealth Management Announcements. The table below sets out the fair value of the existing wealth management products as at 31 December 2018, its relative size to the total asset as at 31 December 2018, its relative size to the total asset as the date of subscription, its performance in terms of the expected annualised rate of return in accordance with the disclosure of each Wealth Management Announcement and the realisation of the return receivable from each wealth management product.

Wealth Management Announcements	Amount of principal RMB	Fair value as at 31 December 2018 RMB	Size of principal subscription amount relative to the total asset of the Company as at 31 December 2018 %	Size of principal subscription amount relative to the total asset of the Company as at the date of subscription %	As at 31 December 2018, the expected annualised rate of return in accordance with the disclosure of each Wealth Management Announcement %	Realisation of the return receivable from each wealth management products
Huaxia Bank Announcement	200,000,000	202,367,123.29	8.02 (Note 1)	7.73 (Note 2)	4.00 (Note 3)	Unrealised (Note 4)
Bank of Shanghai Announcement	200,000,000	202,152,602.74	8.02 (Note 1)	7.73 (Note 2)	4.05 (Note 3)	Unrealised (Note 4)
CITIC Bank Announcement	200,000,000	202,056,164.38	8.02 (Note 1)	7.73 (Note 2)	3.95 (Note 3)	Unrealised (Note 4)

Notes

1 This total assets figure used as the denominator to calculate the relative size of each subscription on the Company's total asset as at 31 December 2018, represents the audited total assets of the Company as at 31 December 2018 of RMB2,493,584,654.94.

2 This total assets figure used as the denominator to calculate the relative size of each subscription on the Company's total asset as at the date of subscription for each wealth management product, represents the unaudited total assets of the Company as at 30 June 2018 of RMB2,619,372,445 published in the interim results announcement of the Company for the six months ended 30 June 2018, less 2017 final dividend of RMB0.017 per share declared on 26 June 2018 and paid on 7 September 2018, totalling RMB31,268,233.

3 This figure represents the expected annualised rate of return as announced based on the performance of the underlying link (i.e. US LIBOR or CSI 300 Index) of each wealth management product.

4 In accordance with each of the Wealth Management Announcements, the return from each of the wealth management products is not redeemable before the maturity date, and each of the wealth management products is undue as at 31 December 2018, as such the return arising from these wealth management products has not been realised, until their respective maturity dates.

According to the terms of each agreement of the wealth management products, no dividend will be paid.

Save as disclosed in this report, the Group had no significant investment, or any material acquisition or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liability or guarantee (2017: Nil).

CHARGES ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 31 December 2018 and 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in this report, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

STAFF AND EMOLUMENT POLICY

As at 31 December 2018, the Group had a workforce of 812 full-time employees (2017: 836). The total employee costs were approximately RMB127,080,146 (2017: RMB123,091,683).

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, Tianjin, 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 in 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

Continuing Connected Transactions in relation to the Gas Supply from Jinran China Resources

Background

津燃華潤燃氣有限公司(Jinran China Resources Gas Co., Ltd.*, "Jinran China Resources"), 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 ("Gas Supply"); 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 China Resources to the Company is now subject to the commercial negotiation between Jinran China Resources and the Company instead of subject to a directive price issued by the Commission from time to time just like the past.

* *For identification purposes only*

Supplemental Agreements in relation to the 2017 Gas Supply Contract

On 2 March 2018, the Company entered into supplemental agreements to the gas supply contract dated 31 October 2014 in respect of the supply of natural gas by Jinran China Resources to the Company for the 12 months ended 31 December 2017 (the "2017 Gas Supply Contract") with Jinran China Resources to agree on the unit price of natural gas provided by Jinran China Resources 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 China Resources 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 China Resources and the Company agreed that the unit price of natural gas supplied by Jinran China Resources 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.

New Gas Supply Contract

On 20 September 2018, the Company and Jinran China Resources entered into the gas supply contract ("New Gas Supply Contract") in respect of the supply of natural gas by Jinran China Resources to the Company for the period from 1 January 2018 to 31 December 2018 with an annual cap not exceeding RMB1,700,000,000.

Jinran China Resources was held as to 51% by 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited, "Tianjin Gas") (a controlling shareholder of the Company holding 1,297,547,800 domestic shares of the Company ("Domestic Shares"), representing approximately 70.54% of the total issued shares of the Company) and is hence a connected person of the Company, and the entering into of the New Gas Supply Contract between Jinran China Resources and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

As the highest applicable percentage ratio (as defined under the Listing Rules) for the annual cap for the New Gas Supply Contract for the year ended 31 December 2018 exceeds 5%, the New Gas Supply Contract is subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The New Gas Supply Contract and the transaction contemplated thereunder were approved by the shareholders of the Company (the "Shareholders") at the extraordinary general meeting of the Company held on 30 November 2018.

For details, please refer to the notice of the extraordinary general meeting of the Company dated 15 October 2018, the announcements of the Company dated 31 October 2014, 17 March 2017, 17 April 2018 and 3 September 2018, and the circular of the Company dated 26 October 2018.

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 supply of natural gas to 天津泰華燃氣有限公司 (Tianjin Taihua Gas Co., Ltd*, “Taihua Gas”) by the Company (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.

New Gas Provision Contract

On 4 June 2018, the Company entered into a new gas provision contract (the “New Gas Provision Contract”) with Taihua Gas in respect of the Gas Provision from 1 January 2018 and for a term of three years up to 31 December 2020, with the annual caps not exceeding RMB219,594,599, RMB230,574,329 and RMB242,103,045, to amend and reinstate, as appropriate, the gas provision contract dated 10 November 2017.

Taihua Gas was indirectly owned as to 70% by Tianjin Gas (a controlling shareholder of the Company holding 1,297,547,800 Domestic Shares, representing approximately 70.54% of the total issued shares of the Company) and 30% by 天津泰達投資控股有限公司 (Tianjin Taida Investment Holdings Limited*), respectively. Accordingly, Taihua Gas is a connected person of the Company, and the entering into of the New Gas Provision Contract between Taihua Gas and the Company constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

* *For identification purposes only*

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 Provision Contract exceed 5%, the New Gas Provision Contract is subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The New Gas Provision Contract and the transactions contemplated thereunder were approved by the Shareholders at the extraordinary general meeting of the Company held on 26 June 2018.

For details, please refer to the notice of the extraordinary general meeting of the Company dated 23 March 2018, the announcements of the Company dated 4 June 2018 and 26 June 2018, and the circular of the Company dated 8 June 2018.

Connected Transaction in relation to Purchase of Gas Meters

On 12 February 2018, the Company entered into a purchase agreement (the "Purchase 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 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).

Tianjin Gas is a controlling shareholder of the Company, which, held approximately 70.54% of the registered capital of the Company and is hence a connected person of the Company. Tianjin Yumin is a subsidiary of Tianjin Gas and thus also a connected person of the Company. Pursuant to the Listing Rules, the entering into of the Purchase Agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Purchase Agreement, either on a standalone basis or when aggregated with the purchase and sales agreement dated 18 October 2017, is 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.

* *For identification purposes only*

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 a principal-guaranteed structured deposit with guaranteed return in the subscription amount of RMB200 million (equivalent to approximately HK$247 million as at 26 February 2018) for a term of deposit from 26 February 2018 to 26 August 2018 with an interest rate of 4.4% per annum.

As the highest relevant applicable percentage ratio (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) for a term of investment from 27 February 2018 to 27 August 2018.

As the highest relevant applicable percentage ratio (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.

On 12 September 2018, the Company entered into a wealth management agreement ("Huaxia Bank Wealth Management Agreement") with 華夏銀行股份有限公司天津分行 (Huaxia Bank Co., Ltd (Tianjin Branch)*) to subscribe for the RMB Huiying Structured Deposit Wealth Management Product*(人民幣慧盈結構性存款理財產品)in the subscription amount of RMB200 million (equivalent to approximately HK$230 million as at 12 September 2018) for a term from 14 September 2018 to 14 March 2019.

* *For identification purposes only*

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the subscription amount under the Huaxia Bank Wealth Management Agreement exceed 5% but are less than 25%, the transaction contemplated under the Huaxia 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 12 September 2018.

On 21 September 2018, the Company entered into a wealth management agreement ("Bank of Shanghai Wealth Management Agreement") with the Bank of Shanghai (Tianjin Branch) to subscribe for the Bank of Shanghai "Steady" Structured Deposit Product No.2*（上海銀行「穩進」2號結構性存款產品）in the subscription amount of RMB200 million (equivalent to approximately HK$228 million as at 21 September 2018) for a term from 25 September 2018 to 26 March 2019.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the subscription amount under the Bank of Shanghai Wealth Management Agreement exceed 5% but are less than 25%, the transaction contemplated under the Bank of Shanghai 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 21 September 2018.

On 27 September 2018, the Company entered into a wealth management agreement ("CITIC Bank Wealth Management Agreement") with CITIC Bank (Tianjin Branch) to subscribe for Win-Win Interest Rate Structure 22071th RMB Structured Deposit Product*（共贏利率結構22071期人民幣結構性存款產品）in the subscription amount of RMB200 million (equivalent to approximately HK$228 million as at 27 September 2018) for a term from 27 September 2018 to 27 March 2019.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the subscription amount under the CITIC Bank Wealth Management Agreement exceed 5% but are less than 25%, the transaction contemplated under the CITIC 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 September 2018.

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Possible Transfer of the Domestic Shares Held by Tianjin Gas to Jinran China Resources

On 7 June 2018, Tianjin Gas and China Resources Gas (Hong Kong) Investment Limited (華潤燃氣(香港)投資有限公司) entered into a memorandum of understanding to procure the acquisition by Jinran China Resources of all the Domestic Shares held by Tianjin Gas (the "Target Shares"). Tianjin Gas held 1,297,547,800 Domestic Shares, representing approximately 70.54% of the total issued shares of the Company ("Shares").

Subject to a formal agreement to be entered into between Tianjin Gas and Jinran China Resources in relation to the transfer of the Target Shares and the satisfaction or waiver (as the case may be) of the conditions precedents thereof, Jinran China Resources (or its wholly-owned subsidiary) and the parties acting in concert with it will hold approximately 70.54% of the entire issued share capital of the Company. In accordance with the requirement of the Code on Takeovers and Mergers issued by The Securities and Futures Commission of Hong Kong (the "Takeovers Code"), if the transfer of the Target Shares is completed, Jinran China Resources will be required to make a mandatory unconditional cash offer for all of the issued Shares (other than those already owned or agreed to be acquired by Jinran China Resources and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. Tianjin Gas and Jinran China Resources have not entered into any formal agreement for the transfer of the Target Shares and the negotiations are still in progress. The detailed terms and timetable concerned are subject to further agreement between Tianjin Gas and Jinran China Resources, and the transfer of the Target Shares may or may not proceed.

For details, please refer to the Company's announcements dated 8 June 2018, 8 July 2018, 7 August 2018, 7 September 2018, 8 October 2018, 8 November 2018, 7 December 2018, 9 January 2019, 8 February 2019 and 8 March 2019.

Amendments of the Articles of Association of the Company

Extraordinary general meeting held on 6 February 2018

The Shareholders had approved a special resolution at an extraordinary general meeting of the Company held on 6 February 2018 to amend the articles of association of the Company (the "Articles") regarding 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 15 December 2017 and 6 February 2018, and the circular of the Company dated 29 December 2017.

Annual general meeting held on 26 June 2018

At the annual general meeting of the Company held on 26 June 2018 (the "2018 AGM"), the Shareholders approved a special resolution in respect of the amendments to the Articles concerning the structure of the share capital of the Company in order to comply with relevant PRC laws and regulations. For details, please refer to the announcement of the Company dated 4 May 2018 and the circular of the Company dated 11 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Change of Directors, Supervisors, Senior Management, Company Secretary and Authorised Representative

1. Change of Directors and positions held with the Company:

   (a) Mr. Zhang Tian Hua, Ms. Wang Wen Xia and Mr. Zhang Guo Jian, previously executive Directors, and Mr. Li Da Chuan, previously a non-executive Director, had retired from office as executive Directors or non-executive Director, respectively, and did not seek re-election at the 2018 AGM with effect from the conclusion of the 2018 AGM due to other work arrangement. Following the retirement of Mr. Zhang Tian Hua and Mr. Zhang Guo Jian as executive Directors, Mr. Zhang Tian Hua ceased to act as the chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee"), and Mr. Zhang Guo Jian ceased to act as an authorised representative of the Company for the purpose of the Listing Rules.

   (b) At the 2018 AGM, Mr. Zhao Wei and Mr. Wang Quan Hong had been appointed as executive Directors, and Mr. Wang Jin, Mr. Hou Shuang Jiang (formerly an executive Director) and Mr. Zhao Heng Hai had been appointed as non-executive Directors, and Ms. Tang Jie had been re-elected as the executive Director, and Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li had been re-elected as independent non-executive Directors.

   (c) Following the retirement of Mr. Zhang Tian Hua and Mr. Zhang Guo Jian as executive Directors,

      (i) Mr. Zhao Wei had also been appointed as the chairman of the Board and the chairman of the Nomination Committee; and

      (ii) Mr. Wang Quan Hong had also been appointed as the authorised representative of the Company for the purpose of the Listing Rules.

   For details, please refer to the announcements of the Company dated 19 April 2018, 26 June 2018 and 29 June 2018, and the circular of the Company dated 11 May 2018.

2. Change of Supervisors:

   (a) Due to work arrangement, Mr. Feng Jin Hu had retired as the Supervisor with effect from the conclusion of the 2018 AGM.

   (b) At the 2018 AGM, Mr. Yang Hu Ling had been re-elected as the Shareholders' representative Supervisor, and Ms. Xu Hui and Mr. Liu Zhi Yuan had been re-elected as the independent Supervisors. Ms. Hao Li had been re-elected, and Ms. You Hui Yan had been elected, as the staff representative Supervisors at the staff representatives' meeting.

   For details, please refer to the announcements of the Company dated 19 April 2018, 26 June 2018 and 29 June 2018, and the circular of the Company dated 11 May 2018.

3. Change of Senior Management:

   With effect from 19 April 2018,

   (a) Mr. Zhang Guo Jian, Ms. Wang Li Ping and Ms. Ma Xin resigned as the general manager, the financial controller and the assistant to the general manager of the Company, respectively, due to work arrangement; and

   (b) Mr. Wang Quan Hong, Mr. Liu Xing Hua and Ms. An Li had been appointed as the general manager, deputy general manager and financial controller of the Company, respectively.

   For details, please refer to the announcement of the Company dated 19 April 2018.

4. Change of company secretary and authorised representative

   With effect from 24 May 2018,

   (a) Mr. Wong Yat Tung resigned as the company secretary of the Company (the "Company Secretary") and ceased to act as an authorised representative of the Company under Rule 3.05 of the Listing Rules and an authorised representative of the Company for accepting service of process or notices in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (collectively, the "Authorised Representative"); and

   (b) Mr. Lau Kwok Yin had been appointed as the Company Secretary and the Authorised Representative in replacement of Mr. Wong Yat Tung.

   For details, please refer to the announcement of the Company dated 24 May 2018.

Change of Principal Place of Business in Hong Kong

The Company's principal place of business in Hong Kong has been changed to 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong with effect from 30 July 2018.

IMPORTANT EVENTS AFTER REPORTING PERIOD

Continuing Connected Transaction in relation to Pipeline Construction and Design Services

The pipeline construction and design agreement entered into between the Company and 天津能源投資集團有限公司 (Tianjin Energy Investment Company Limited*, "Tianjin Energy") in respect of the provision of pipeline construction and design services by Tianjin Energy and/or its associated companies for the period from 29 April 2016 to 31 December 2018 ("2016 Pipeline Construction and Design Agreement") has expired on 31 December 2018. To renew the 2016 Pipeline Construction and Design Agreement, on 4 January 2019, the Company and Tianjin Energy entered into the pipeline works framework agreement (the "2019 Pipeline Works Framework Agreement") 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 and design services 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 the effective date of the 2019 Pipeline Works Framework Agreement (i.e. 4 January 2019) to 31 December 2021. Pursuant to the 2019 Pipeline Works Framework Agreement, the annual cap amounts received by Tianjin Energy and/or its associated companies for the three years ended 31 December 2021 are RMB30,000,000, RMB30,000,000 and RMB30,000,000, respectively.

Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company which held approximately 70.54% of the total issued share capital of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Tianjin Energy is a connected person of the Company, and the entering into of the 2019 Pipeline Works Framework Agreement constitutes a continuing connected transaction of the Company.

As the highest applicable percentage ratio for the annual caps is, on an annual basis, more than 0.1% but less than 5%, the 2019 Pipeline Works Framework Agreement is subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the announcements of the Company dated 4 January 2019 and 22 January 2019.

* *For identification purposes only*

Amendments to the Articles of Association of the Company

The Shareholders had passed the special resolution at the extraordinary general meeting held on 5 March 2019 to amend the Articles regarding the expansion of the scope of business in respect of real estate ownership and leasing, and leasing of gas stations (operated by branch offices only) in view of the business development of the Company.

For details, please refer to the announcement of the Company dated 9 January 2019, 16 January 2019 and 5 March 2019, and the circular of the Company dated 16 January 2019.

Appointment of Deputy Manager

Ms. Sha Cai Ping (沙彩萍) has been appointed as the deputy general manager of the Company, with effect from 15 February 2019. For details, please refer to the announcement of the Company dated 15 February 2019.

Renewal of continuing connected transactions in relation to Gas Transportation

On 8 March 2019, the Company and Jinran China Resources entered into the gas transportation contract ("New 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 China Resources for the period from 1 January 2018 to 31 December 2020.

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 year ended 31 December 2018 and the years ending 31 December 2019 and 31 December 2020 are RMB7,600,000, RMB9,120,000 and RMB10,950,000, respectively.

The entering into the New Gas Transportation Contract between Jinran China Resources and the Company constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the highest annual cap in respect of the New Gas Transportation Contract is more than 0.1% but less than 5%, the transactions contemplated under New Gas Transportation Contract are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but exempt from independent shareholders' approval requirements.

For details, please refer to the announcement of the Company dated 8 March 2019.

Supplemental Agreement to the 2017 Gas Supply Contract

On 5 March 2018, the Company entered into the supplemental agreement to the 2017 Gas Supply Contract with Jinran China Resources, agreeing that the unit price of natural gas provided by Jinran China Resources to the Company for the period from 1 November 2017 to 31 December 2017 was RMB2.45 per cubic metre (tax included).

According to the notice regarding adjustment to the unit price issued by Jinran China Resources on 25 September 2018, Jinran China Resources estimated the unit price of natural gas supplied by Jinran China Resources to the Company for the period from November 2017 to March 2018 to be RMB2.43 per cubic metre (tax included).

Therefore, on 8 March 2019, Jinran China Resources and the Company entered into the supplemental agreement to the 2017 Gas Supply Contract to set the unit price of natural gas supplied by Jinran China Resources to the Company for the period commencing from 1 November 2017 to 31 December 2017 as RMB2.43 per cubic metre (tax included).

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

For details, please refer to the announcement of the Company dated 8 March 2019.

Subscription of wealth management product

On 27 March 2019, the Company entered into a wealth management agreement "China Guangfa Bank Wealth Management Agreement" with 廣發銀行股份有限公司 (China Guangfa Bank Co., Ltd.) (Tianjin Branch) to subscribe for the China Guangfa Bank Xin-Plus-Xin No.16 Renminbi Structured Deposit*（廣發銀行"薪加薪16號"人民幣結構性存款）, in the subscription amount of RMB200 million (equivalent to approximately HK$234 million as at 27 March 2019) for a term from 27 March 2019 to 24 September 2019.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the subscription amount under the China Guangfa Bank Wealth Management Agreement exceeds 5% but is less than 25%, the transaction contemplated under the China Guangfa 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 27 March 2019.

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

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

Executive Directors

Mr. Zhao Wei (趙維), aged 55, is the chairman of the Board and an executive Director. He graduated from the Industrial Management Engineering Department (工業管理工程系) of Tianjin University of Technology* (天津理工大學) (formerly known as Tianjin Institute of Technology* (天津理工學院)) majoring in engineering management in 1986, and graduated from Party School of the Central Committee of the Communist Party of China ("CPC") (中共中央黨校) as an on-the-job graduate in legal theory in 2009. He is also a senior political officer and senior economist. From 1986 to 2008, Mr. Zhao held various positions at Tianjin Gas Corporation* (天津市煤氣總公司), Division of the Urban and Rural Planning and Construction and Transportation Committee of the Tianjin Committee of the CPC* (天津市委城建工委幹部處), and Tianjin Pipeline Engineering Group (天津市管道工程集團). In 2008, Mr. Zhao joined Tianjin Gas Group Company Limited (天津市燃氣集團有限公司) ("Tianjin Gas", the controlling shareholder of the Company) as the secretary of the disciplinary committee, and later served as deputy Party secretary and the secretary of the disciplinary committee in Tianjin Gas from May 2011 to 2013. Mr. Zhao served as the deputy Party secretary and the secretary of the disciplinary committee in Jinran China Resources Gas Co., Ltd (津燃華潤燃氣有限公司) (a subsidiary of Tianjin Gas) from February 2013 to February 2015, and served as the deputy chief trainer and managing vice president of the Party School of the Group in Tianjin Energy Investment Company Limited (天津能源投資集團有限公司) ("Tianjin Energy", the intermediary holding company of Tianjin Gas) from February 2015 to February 2017. Mr. Zhao has been the Party secretary and Chairman of Tianjin Binhai Gas Group Company Limited (天津濱海燃氣集團有限公司) (a subsidiary of Tianjin Gas) since 2017. Mr. Zhao was appointed as the executive Director on 26 June 2018.

Ms. Tang Jie (唐潔), aged 51, 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.

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DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Quan Hong（王全鴻）, aged 55, is an executive Director and the general manager of the Company. He graduated from Tianjin Open University（天津廣播電視大學）in 1988, majoring in industrial enterprise management. He was educated at the Party School of the Central Committee of the Communist Party of China（中共中央黨校）majoring in political science and law from 1998 to 2000. He was also educated at Tianjin Chengjian University（天津城建大學）, formerly known as Tianjin Urban Construction Institute（天津城市建設學院）, majoring in building environment and equipment engineering from March 2007 to July 2009. He is a senior political worker and a safety engineer. From 2003 to 2013, Mr. Wang held various positions in Tianjin Gas Group Company Limited（天津市燃氣集團有限公司）. From November 2013 to September 2015, he served as the manager and deputy manager of the safety and environmental protection department as well as the director of the safety supervision office in Tianjin Energy Investment Company Limited（天津能源投資集團有限公司）. From September 2015 to August 2016, Mr. Wang was the deputy manager of Tianjin Gangyi Heat Supply Company Limited（天津港益供熱有限責任公司）, being a subsidiary of Tianjin Gas. From August 2016 to March 2017, he was served as the general manager and secretary of the branch of party of Tianjin Binhai China Petroleum Gas Company Limited（天津濱海中油燃氣有限責任公司）, a subsidiary of Tianjin Gas. Since 2017, he has served as the deputy manager in Tianjin Heat Company Limited（天津市熱力有限公司）, a subsidiary of Tianjin Gas. Mr. Wang was appointed as the general manager of the Company on 19 April 2018 and was appointed as the executive Director on 26 June 2018.

Non-executive Directors

Mr. Hou Shuang Jiang（侯雙江）, aged 50, is a non-executive Director. He 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 operation department of Tianjin Energy Investment Company Limited*（天津能源投資集團有限公司）. 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 and was redesignated as the non-executive Director on 26 June 2018.

Mr. Wang Jin（王勁）, aged 50, is a non-executive Director. He 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 1992 and graduated from Tianjin University（天津大學）majoring in industrial engineering in 2012. He is also an assistant accountant. Mr. Wang served as assistant to General Manager and Deputy General Manager in Tianjin Automotive Gear Co., Ltd.*（天津汽車齒輪有限公司）from 1992 to 2009. Mr. Wang was the deputy manager of the capital management department of Tianjin Energy Investment Company Limited*（天津能源投資集團有限公司）from March 2009 to April 2010, and served as the President of Tianjin Seasun Electronics Industry Co., Ltd.（新巨升電子工業有限責任公司）and the secretary of general Party branch and general manager of Tianjin Jinneng Battery Technology Co., Ltd.（天津市津能電池科技有限公司）(a subsidiary of Tianjin Energy) from April 2010 to 2015. Mr. Wang was the deputy general manager of Tianjin Binhai Gas Group Company Limited（天津濱海燃氣集團有限公司）(a subsidiary of Tianjin Gas) from September 2015 to April 2017 and has been the deputy manager of the capital management department of Tianjin Energy since April 2017. Mr Wang was appointed as the non-executive Director on 26 June 2018.

Mr. Zhao Heng Hai（趙恒海）, aged 50, is a non-executive Director. He graduated from the School of Architecture of Tianjin University (now known as Tianjin Chengjian University（天津城建大學）), majoring in urban gas and heat energy engineering in 1990 and is a senior engineer. From 1990 to 2002, Mr. Zhao held various positions at Tianjin Gas Corporation and Tianjin Natural Gas Company（天津市天然氣公司）. From December 2002 to February 2013, Mr. Zhao was the deputy director and director of Business Management Department（營業管理部）of Tianjin Gas, and was the director of the Business Management Department and the director of Anti-piracy Office（打盜辦）of Jinran China Resources Gas Co., Ltd (a subsidiary of Tianjin Gas) from February 2013 to February 2015. Mr. Zhao has been the deputy manager of Gas Industry Department（燃氣產業部）of Tianjin Energy since February 2015. Mr. Zhao was appointed as the non-executive Director on 26 June 2018.

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DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Zhang Ying Hua (張英華), aged 69, 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.

Mr. Yu Jian Jun (玉建軍), aged 55, 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 61, 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.

* *For identification purposes only*

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. The Supervisory Committee reports to the shareholders in general meetings. The Articles 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 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, 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:

Shareholders Representative Supervisor

Mr. Yang Hu Ling（楊虎嶺）, aged 58, is a shareholders representative supervisor. Mr. Yang graduated from Jiangnan University*（江南大學）(formerly known as 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 Chinese certified public 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 manager of the discipline supervision chamber (audit and inspection department) of Tianjin Energy from November 2013 to December 2014. He has been the deputy head/manager of the discipline inspection 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.

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Supervisors

Ms. Xu Hui (許暉), aged 52, 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 55, is an independent supervisor. Mr. Liu graduated from Qinghai Normal University* (青海師範大學) (formerly known as of Qinghai Normal College* (青海師範學院)), 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 he was a deputy dean of the Faculty from 1997 to 2005. He currently serves as an independent director of Qingdao Hisense Electronics Co., Ltd.* (青島海信電器股份有限公司) (SH Stock Code: 600060), Zhejiang China Commodities City Group Co., Ltd.* (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) Co., Ltd.* (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 also currently serves as an independent director of Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司) (SZ Stock Code: 000897), whose shares are listed on the Shenzhen Stock Exchange (the "SZSE"). In addition, 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 Co., Ltd.* (立訊精密工業股份有限公司) (SZ Stock Code: 002475) listed on SZSE from 22 February 2009 to 17 April 2015; and an independent executive director of Tianjin Motor Dies Co., Ltd.* (天津汽車模具股份有限公司) (SZ Stock Code: 002510). Mr. Liu was appointed as an independent Supervisor on 22 June 2016.

Staff Representative Supervisors

Ms. Hao Li (郝力), aged 49, 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.

Ms. You Hui Yan (游惠燕), aged 36, is a staff representative supervisor. She graduated from Hebei University of Technology majoring in communications engineering in 2006 and obtained a master's degree in accounting from Nankai University in 2015. Since 2006, she has worked for Tianjin Jinneng Battery Technology Co., Ltd.* (天津市津能電池科技有限公司) and Tianjin Liquefied Natural Gas Co., Ltd. (天津液化天然氣有限責任公司). Ms. You has been working in the Internal Audit Department of the Company since May 2017. Ms. You was appointed as a Supervisor on 26 June 2018.

* *For identification purposes only*

COMPANY SECRETARY

Mr. Lau Kwok Yin (劉國賢), aged 34, is a manager of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He has over 10 years' experience in corporate secretarial services, finance and banking operations. He holds a Bachelor of Business Administration degree in Accounting and Finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst charterholder. Mr. Lau was appointed as the Company Secretary on 24 May 2018.

SENIOR MANAGEMENT

Mr. Liu Xing Hua (劉興華), aged 35, is the deputy general manager of the Company since 19 April 2018. He graduated from Tianjin University of Science and Technology in 2006, majoring in industrial design and international economics and trade. From October 2008 to November 2015, Mr. Liu had acted as the deputy secretary and deputy manager of the CPC branch in Tianjin Binhai Gas Group Company Limited (天津濱海燃氣集團有限公司) (a subsidiary of Tianjin Gas) and one of its subsidiaries. Since November 2015, Mr. Liu has served as the assistant to general Manager in Tianjin Binhai Gas Group Company Limited.

Ms. Sha Cai Ping (沙彩萍), aged 43, is the deputy general manager of the Company, since 15 February 2019. She joined Tianjin City Tanggu Gas Co., Limited* (天津市塘沽燃氣有限公司, formerly known as Tianjin City Tanggu Gas Corporation* 天津市塘沽煤氣公司) in 1997, who undertook various positions. Among other things, she served as the chairman of the labour union and the assistant to manager from October 2007 to February 2012, and was appointed as the deputy manager since February 2012. Ms. Sha was awarded with a bachelor of engineering degree from the Tianjin Chengjian University (天津城建大學, formerly known as Tianjin Institute of Urban Construction 天津城市建設學院) in July 1997. Ms. Sha was educated at the graduate school of the Party School of the Central Committee of C.P.C* (中共中央黨校) specializing in economics law between September 2005 and July 2008.

Ms. An Li (安麗), aged 45, is the financial controller of the Company since 19 April 2018. She graduated from the school of accounting and auditing in Heilongjiang College of Finance and Political Science (黑龍江財政專科學校) in 1995, majoring in international accounting. She is a Certified Public Accountant. From 1995 to 2014, Ms. An undertook various positions in Harbin Hengcang Decoration Company Limited (哈爾濱橫倉裝飾有限公司), Harbin branch of the TCL Corporation and Heilongjiang branch of Beijing Zhongxingyu Certified Public Accountants (北京中興宇會計師事務所黑龍江分公司). From May 2014 to September 2015, Ms. An was the chief accountant in Tianjin Binhai Gas Group Company Limited, a subsidiary of Tianjin Gas. From September 2015 to September 2016, she was the chief accountant of Tianjin Jinneng Binhai New Energy Company Limited (天津津能濱海新能源有限公司). Since September 2016, Ms. An has served as the vice dean of the Tianjin Urban Construction Management & Vocation Technology College.

* *For identification purposes only*

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 summarised 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 nine members, comprising three executive Directors namely Mr. Zhao Wei (Chairman), Ms. Tang Jie and Mr. Wang Quan Hong, three non-executive Directors namely Mr. Hou Shuang Jiang, Mr. Wang Jin, and Mr. Zhao Heng Hai, and three 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 27 to page 30 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. Zhao Wei serves as the Chairman of the Company. The Company does not have a chief executive officer. The General Manager (currently Mr. Wang Quan Hong) 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"). Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

The Company has also adopted a Directors nomination policy in compliance with the Code with effect from 1 January 2019, which establishes written guidelines for the nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The nomination committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications and relative merits. Director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The Nomination Committee will take into account the Board Diversity Policy (which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) and whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders. The Board shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

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 their respective dates of appointment. 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.

CORPORATE GOVERNANCE REPORT

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. 18 Board meetings were held in 2018. Individual attendance records are set out below.

Board Meetings and General Meetings Attendance

	No. of board meetings attended by each Director during the Year 2018	No. of general meetings attended by each Director during the Year 2018
Executive Directors		
Zhao Wei *(Chairman) (appointed on 26 June 2018)*	11	1
Tang Jie	18	4
Wang Quan Hong *(appointed on 26 June 2018)*	11	1
Zhang Guo Jian *(retired on 26 June 2018)*	8	1
Zhang Tian Hua *(Chairman) (retired on 26 June 2018)*	5	3
Wang Wen Xia *(retired on 26 June 2018)*	1	0
Hou Shuang Jiang *(redesignated as non-executive Director since 26 June 2018)*	16	0
Non-executive Directors		
Wang Jin *(appointed on 26 June 2018)*	11	1
Zhao Heng Hai *(appointed on 26 June 2018)*	10	0
Li Da Chuan *(retired on 26 June 2018)*	6	0
Independent Non-executive Directors		
Zhang Ying Hua	18	0
Yu Jian Jun	18	0
Guo Jia Li	18	0

Certain Directors were not able to attend the general meetings held in 2018 due to their unavoidable business engagements.

CORPORATE GOVERNANCE REPORT

During 2018, the Board has addressed the following major issues, among other things:

1. passing the resolution in respect of withdrawing the enterprise reserve fund and the enterprise development fund;

2. passing the resolutions in respect of purchasing natural gas from Jinran China Resources for the year ended 31 December 2018;

3. passing the resolutions in respect of the supply of natural 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 resolutions in respect of the change of directors, supervisors, senior management, company secretary and authorised representative of the Company;

6. passing the resolutions in respect of subscription of wealth management products; and

7. passing the resolutions in respect of proposed amendments of the Articles.

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.

CORPORATE GOVERNANCE REPORT

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 2018.

According to the records provided by the Directors, a summary of training received by the Directors since 1 January 2018 up to 31 December 2018 is as follows:

	No. of training sessions attended/ received by each Director
Executive Directors	
Zhao Wei *(Chairman) (appointed on 26 June 2018)*	1
Tang Jie	1
Wang Quan Hong *(appointed on 26 June 2018)*	1
Zhang Guo Jian *(retired on 26 June 2018)*	0
Zhang Tian Hua *(Chairman) (retired on 26 June 2018)*	0
Wang Wen Xia *(retired on 26 June 2018)*	0
Hou Shuang Jiang *(redesignated as non-executive Director since 26 June 2018)*	1
Non-executive Directors	
Wang Jin *(appointed on 26 June 2018)*	1
Zhao Heng Hai *(appointed on 26 June 2018)*	1
Li Da Chuan *(retired on 26 June 2018)*	0
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.

Save for the Nomination Committee whose member comprise of an executive Director (namely Mr. Zhao Wei), and non-executive Directors, other Board Committees members comprise of only 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 2018	Attendance in 2018
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) (independent non-executive Director)*	2
		Zhang Ying Hua *(independent non-executive Director)*	2
		Yu Jian Jun *(independent non-executive Director)*	2

Total number of meetings held in 2018: 2

	Major roles and functions	Composition during 2018	Attendance in 2018
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 *(independent non-executive Director) (Chairman)*	2
		Hou Shuang Jiang *(non-executive Director)*	2
		Guo Jia Li *(independent non-executive Director)*	2
Total number of meetings held in 2018: 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	Zhao Wei *(executive Director) (Chairman) (appointed on 26 June 2018)*	0
		Zhang Ying Hua *(independent non-executive Director)*	1
		Yu Jian Jun *(independent non-executive Director)*	1
		Zhang Tian Hua *(executive Director) (Chairman) (retired on 26 June 2018)*	1
Total number of meetings held in 2018: 1			

Audit Committee

During 2018, 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 2017 and interim financial results and report for the six months ended 30 June 2018;

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 2018, 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;

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; and

4. approved the terms of executive Directors' service contracts.

Nomination Committee

During 2018, 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 remuneration of the Directors and Supervisors paid by the Group for the Year are set out in note XII.3 to the financial statements of this report. The remuneration received by Mr. Zhang Guo Jian, for the period 1 January 2018 to 25 June 2018, as the general manager of the Company amounted to approximately RMB149,419.56. For the period 26 June 2018 to 31 December 2018, Mr. Wang Quan Hong received RMB154,224.00 as the general manager of the Company. From 1 January 2018 to 25 June 2018, Mr. Zhang Tian Hua, Mr. Zhang Guo Jian, Mr. Hou Shuang Jiang, Ms. Wang Wen Xia and Mr. Li Da Quan all waived their respective directors remuneration. Save as Ms. Tang Jie, Mr. Guo Jia Li, Mr. Yu Jian Jun and Mr. Zhang Ying Hua, all Directors waived their director remuneration from 26 June 2018.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2018, save as aforesaid, 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	7

Company Secretary

The manager of SWCS Corporate Services Group (Hong Kong) Limited Mr. Lau Kwok Yin has been appointed as the company secretary of the Company (the "Company Secretary") on 24 May 2018 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. Lau Kwok Yin at the Company is Ms. Zhang Ting Ting, who is in charge of legal works at the Company.

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 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 Auditor's Report on page 80 to page 85. 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 2018. 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 regular review of the Audit Committee, is satisfied that the Group in 2018, 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 and adequate.

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 2018, the fees paid to the Company's external auditors for audit services amounted to approximately RMB950,000 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.

Dividend Policy

The Board has adopted a dividend policy to establish a standard of dividend payment to enhance the transparency of dividends distributed by the Company and to facilitate the Shareholders and potential investors to make informed investment decisions.

The declaration and payment of dividends is at the discretion of the Board and subject to the approval of the Shareholders and to the relevant laws and regulations of the PRC, any applicable rules and regulations and the Articles.

The Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

The Board in determining the level of dividends will consider factors including:

(i) the results of operations of the Group;

(ii) cash flows of the Group;

(iii) financial position of the Group;

(iv) capital requirements of the Group;

(v) business strategies and developments of the Group; and

(vi) other factors that the Board deems relevant.

Subject to Shareholders' approval at a general meeting and to the relevant laws and regulations of the PRC, any applicable rules and regulations, the Articles and after consideration on the factors above, the Company may also declare interim or special distributions in addition to the annual distributions.

Communications with Shareholders and Investors

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.

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, 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, 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 percent 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, 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, including:

  A. the Articles 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, 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, 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, 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, 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.

INVESTOR RELATIONS

Amendments To The Articles

Extraordinary general meeting held on 6 February 2018

The Shareholders had approved a special resolution at an extraordinary general meeting of the Company held on 6 February 2018 to amend the Articles regarding 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 15 December 2017 and 6 February 2018, and the circular of the Company dated 29 December 2017.

Annual general meeting held on 26 June 2018

At the 2018 AGM, the Shareholders approved a special resolution in respect of the amendments to the Articles concerning the structure of the share capital of the Company in order to comply with relevant PRC laws and regulations. For details, please refer to the announcement of the Company dated 4 May 2018 and the circular of the Company dated 11 May 2018.

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, and ceased operation of mining and trading in year 2014.

During the Year, the Company continued to push forward the 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 88 to 89 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: RMB0.017).

* *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.21 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 2018, the Group's reserves available for distribution to shareholders, comprised the retained profits determined under PRC accounting standards of approximately RMB662 million (2017: RMB660 million).

There is no arrangement that a shareholder has waived or agreed to waive any dividend.

RESERVES

Profits attributable to shareholders before dividends of RMB5,800,974 (2017: RMB5,543,926) 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.9 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 220.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Zhao Wei *(Chairman) (appointed on 26 June 2018)*
Tang Jie
Wang Quan Hong *(appointed on 26 June 2018)*
Zhang Tian Hua *(Chairman) (retired on 26 June 2018)*
Wang Wen Xia *(retired on 26 June 2018)*
Zhang Guo Jian *(retired on 26 June 2018)*
Hou Shuang Jiang *(redesignated as non-executive Director since 26 June 2018)*

Non-executive Directors

Wang Jin *(appointed on 26 June 2018)*
Zhao Heng Hai *(appointed on 26 June 2018)*
Li Da Chuan *(retired on 26 June 2018)*

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
You Hui Yan *(appointed on 26 June 2018)*
Feng Jin Hu *(retired on 26 June 2018)*

Shareholders Representative Supervisor

Yang Hu Ling

Mr. Zhang Tian Hua, Ms. Wang Wen Xia and Mr. Zhang Guo Jian, each an executive Director, and Mr. Li Da Chuan, a non-executive Director, had retired from office as executive Directors or non-executive Director, respectively, and did not seek re-election at the 2018 AGM with effect from the conclusion of the 2018 AGM due to other work arrangement.

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 Directors and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 26 June 2018.

Each of the Supervisors, namely Mr. Yang Hu Ling, Ms. Xu Hui, Ms. Hao Li and Ms. You Hui Yan has entered into a service agreement with the Company for a term of three years commencing from 26 June 2018 and ending on the conclusion of the annual general meeting of the Company to be held in 2021. Mr. Liu Zhi Yuan, the Supervisor has entered into a service agreement with the Company for a term of three years commencing from 26 June 2018.

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. From 1 January 2018 to 25 June 2018, Mr. Zhang Tian Hua, Mr. Zhang Guo Jian, Mr. Hou Shuang Jiang, Ms. Wang Wen Xia and Mr. Li Da Quan all waived their respective directors remuneration. Save as Ms. Tang Jie, Mr. Guo Jia Li, Mr. Yu Jian Jun and Mr. Zhang Ying Hua, all Directors waived their director remuneration from 26 June 2018.. 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 2018, the interests and short positions of the Directors, chief executives 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 as referred to in Appendix 10 to 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 2018, none of the Directors, chief executives and Supervisors of the Company had interests or short positions 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 2018, the following, not being a Director, chief executive or Supervisor of the Company, have interests or short positions in the shares, underlying shares or debentures 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
Tianjin Gas Group Company Limited ("Tianjin Gas") 天津市燃氣集團有限公司	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 (Note 1)	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 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
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%
China Alpha Master Fund Ltd	Beneficial owner	26,180,000	1.42%/5.24%
Wang Junyan	Held by controlled corporation (note 4)	29,800,000	1.62%/5.96%
China Alpha Fund Management Ltd	Investment manager	29,800,000	1.62%/5.96%

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/ H Shares
Alpha Logic Holdings Limited	Held by controlled corporation (note 5)	29,800,000	1.62%/5.96%
Jet Elite Investments Limited	Held by controlled corporation (note 6)	29,800,000	1.62%/5.96%
China Alpha Fund Management (HK) Limited	Investment manager	29,800,000	1.62%/5.96%

Notes:

1. As at 31 December 2018, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held 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. Therefore, Mr. Liu Hei Wan is deemed, or taken to be, interested in the 30,000,000 H 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.

4. China Alpha Fund Management Ltd is wholly-owned by Wang Junyan and thus a controlled corporation by Wang Junyan. Besides, Alpha Logic Holdings Limited is held as to approximately 80% by Wang Junyan, which in turn is directly interested in approximately 80% in Jet Elite Investments Limited, and China Alpha Fund Management (HK) Limited is wholly-owned by Jet Elite Investments Limited. Wang Junyan controls more than one-third of the voting rights of China Alpha Fund Management Ltd, Alpha Logic Holdings Limited, Jet Elite Investments Limited and China Alpha Fund Management (HK) Limited, and is deemed to be interested in the interests in China Alpha Fund Management Ltd, Alpha Logic Holdings Limited, Jet Elite Investments Limited and China Alpha Fund Management (HK) Limited in the Company by virtue of the SFO.

5. Alpha Logic Holdings Limited is directly interested in approximately 80% in Jet Elite Investments Limited, and China Alpha Fund Management (HK) Limited is wholly-owned by Jet Elite Investments Limited. Alpha Logic Holdings Limited controls more than one-third of the voting rights of Jet Elite Investments Limited and China Alpha Fund Management (HK) Limited, and is deemed to be interested in the interests in Jet Elite Investments Limited and China Alpha Fund Management (HK) Limited in the Company by virtue of the SFO.

6. China Alpha Fund Management (HK) Limited is wholly-owned by Jet Elite Investments Limited. Jet Elite Investments Limited controls more than one-third of the voting rights of China Alpha Fund Management (HK) Limited, and is deemed to be interested in the interest in China Alpha Fund Management (HK) Limited in the Company by virtue of the SFO.

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, have interests or short positions in the shares, underlying shares or debentures 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' AND SUPERVISORS' 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 GEM of the Stock Exchange (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 District (寧河區)) 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 transfer of part of the tangible assets and gas ancillary facilities.

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 District, 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 (formerly, the executive Director and the chairman of the Company who retired on 26 June 2018), Mr. Hou Shuang Jiang (the non-executive Director), Mr. Zhao Heng Hai (the non-executive Director), Ms. Wang Wen Xia (formerly, the executive Director who retired on 26 June 2018), Mr. Li Da Chuan (formerly, the non-executive Director who retired on 26 June 2018), Mr. Zhao Wei (the executive Director and Chairman of the Company), Mr. Wang Quan Hong (the executive Director) and Mr. Wang Jin (the non-executive Director) hold 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 2018, 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 ended 31 December 2018, respectively. Actual transaction amount for the Year was RMB5,438,000.

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 ended 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.

* *For identification purposes only*

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 RMB7,335,000.

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 ended 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

Supplemental Agreements to 2017 Gas Supply Contract

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

Pursuant to the Gas Supply Contracts, Jinran China Resources agreed to supply to the Company and the Company agreed to purchase from Jinran China Resources 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 ended 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.

On 17 March 2017, the Company entered into a supplemental agreement (the “Supplemental Agreement”) with Jinran China Resources to (1) the gas supply contract (the “2016 Gas Supply Contract”) in respect of the supply of natural gas by Jinran China Resources 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 China Resources to the Company for the 12 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.

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.

* *For identification purposes only*

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 China Resources to the Company is now subject to the commercial negotiation between Jinran China Resources 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 China Resources to agree on the unit price of natural gas provided by Jinran China Resources 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 China Resources 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 China Resources and the Company and agreed that the unit price of natural gas supplied by Jinran China Resources 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).

According to the notice regarding adjustment to the unit price issued by Jinran China Resources on 25 September 2018, Jinran China Resources estimated the unit price of natural gas supplied by Jinran China Resources to the Company for the period from November 2017 to March 2018 to be RMB2.43 per cubic metre (tax included).

Therefore, on 8 March 2019, Jinran China Resources and the Company entered into the supplemental agreement to the 2017 Gas Supply Contract to set the unit price of natural gas supplied by Jinran China Resources to the Company for the period commencing from 1 November 2017 to 31 December 2017 as RMB2.43 per cubic metre (tax included).

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, 5 March 2018 and 8 March 2019, and the circular of the Company dated 12 December 2014.

New Gas Supply Contract

On 20 September 2018, the Company and Jinran China Resources entered into the gas supply contract ("New Gas Supply Contract") in respect of the supply of natural gas by Jinran China Resources to the Company for the period from 1 January 2018 to 31 December 2018 with an annual cap not exceeding RMB1,700,000,000. Actual transaction amount for the Year was RMB1,229,894,000.

As at the date of this report, Jinran China Resources was held as to 51% by Tianjin Gas (a controlling shareholder of the Company holding 1,297,547,800 Domestic Shares, representing approximately 70.54% of the total issued shares of the Company) and is hence a connected person of the Company, and the entering into of the New Gas Supply Contract between Jinran China Resources and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the annual cap for the New Gas Supply Contract for the year ended 31 December 2018 exceed 5%, the New Gas Supply Contract is subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The New Gas Supply Contract and the transaction contemplated thereunder were approved by the Shareholders at the extraordinary general meeting of the Company held on 30 November 2018.

For details, please refer to the notice of the extraordinary general meeting of the Company dated 15 October 2018, the announcements of the Company dated 31 October 2014, 17 March 2017, 17 April 2018 and 3 September 2018, and the circular of the Company dated 26 October 2018.

(4) Gas Transportation

On 8 March 2019, the Company and Jinran China Resources entered into the gas transportation contract ("New 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 China Resources for the period from 1 January 2018 to 31 December 2020.

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 year ended 31 December 2018 and the years ending 31 December 2019 and 31 December 2020 are RMB7,600,000, RMB9,120,000 and RMB10,950,000, respectively. Actual transaction amount for the Year was RMB3,975,000.

The entering into the New Gas Transportation Contract between Jinran China Resources and the Company constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the highest annual cap in respect of the New Gas Transportation Contract is more than 0.1% but less than 5%, the transactions contemplated under New Gas Transportation Contract are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but exempt from independent shareholders' approval requirements.

For details, please refer to the announcement of the Company dated 8 March 2019.

(5) Gas Provision

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 supply of natural gas to 天津泰華燃氣有限公司 (Tianjin Taihua Gas Co., Ltd*, "Taihua Gas") by the Company (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.

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 identification purposes only*

New Gas Provision Contract

On 4 June 2018, the Company entered into a new gas provision contract (the "New Gas Provision Contract") with Taihua Gas in respect of the Gas Provision from 1 January 2018 and for a term of three years up to 31 December 2020, with the annual caps not exceeding RMB219,594,599, RMB230,574,329 and RMB242,103,045, to amend and reinstate as appropriate the gas provision contract dated 10 November 2017. Actual transaction amount for the Year was RMB178,992,000.

As at the date of this report, Taihua Gas was indirectly owned as to 70% by Tianjin Gas (a controlling shareholder of the Company holding 1,297,547,800 Domestic Shares, representing approximately 70.54% of the total issued shares of the Company) and 30% by 天津泰達投資控股有限公司 (Tianjin TEDA Investment Holding Co, Ltd.*), respectively. Accordingly, Taihua Gas is a connected person of the Company, and the entering into of the New Gas Provision Contract between Taihua Gas and the Company constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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 Provision Contract exceed 5%, the New Gas Provision Contract is subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The New Gas Provision Contract and the transactions contemplated thereunder were approved by the Shareholders at the extraordinary general meeting of the Company held on 26 June 2018.

For details, please refer to the notice of the extraordinary general meeting of the Company dated 23 March 2018, the announcements of the Company dated 4 June 2018 and 26 June 2018, and the circular of the Company dated 8 June 2018.

* *For identification purposes only*

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

Connected Transaction in relation to Purchase of Gas Meters

On 12 February 2018, the Company entered into a purchase agreement (the "Purchase 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 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 the highest applicable percentage ratio (as defined under the Listing Rules) for the Purchase Agreement, either on a standalone basis or when aggregated with the purchase and sales agreement dated 18 October 2017, is 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.

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 Petroleum Gas Company Limited (天津濱海中油燃氣有限責任公司), Tianjin Heat Company Limited (天津市熱力有限公司), Tianjin Liquefied Gas Construction Limited (天津市液化氣工程有限公司) and Tianjin Jinneng Investment Company Limited (天津市津能投資有限公司) 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 RMB213,000, RMB554,000, RMB4,000 and RMB28,000 respectively for the Period;

2. Tianjin Yixiao Gas 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 RMB6,652,000 for the Period; and

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

* *For identification purposes only*

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 2018.

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 52% of the Group's total turnover for the Year, with the largest customer accounted for approximately 26%. The five largest suppliers of the Group together accounted for approximately 98% of the Group's total purchases for the year, with the largest supplier accounted for 94%.

Except Jinran China Resources, 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 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 years ended 31 December 2017 and 31 December 2018 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 2018, the Company has not entered into any equity-linked agreement.

Annual General Meeting And Book Closure Period

The annual general meeting of the Company is expected to be held on 26 June 2019 (Wednesday) at 3:00 p.m. at Floor 9, Gangao Tower, 18 Zhengzhou 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 2019 to 26 June 2019 (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 24 May 2019.

On behalf of the Board
Tianjin Jinran Public Utilities Company Limited
Zhao Wei
Chairman

AUDITOR'S REPORT

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Ernst & Young Hua Ming (2019) 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 86 to 219, which comprise the consolidated and company statements of financial position as at 31 December 2018, 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 2018 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 Auditor's 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 (2019) 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 2018, the gross carrying amount of trade receivables was RMB100,947,248.25, and the gross bad debts provision amounted to RMB15,756,852.43. According to the accounting policies presented in Note III.7 and Note III.27 to the consolidated financial statements, the impairment of trade receivables is made based on assessment of the expected credit loss model. Significant management judgements need to be made during the assessment process. Management considers various factors which include the ageing of the balances, locations of customers, existence of disputes, recent historical payment patterns and status, taking into account forward-looking adjustment factors in combination with economic policies, macroeconomic indicators, industry risks 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 impairment of trade receivables included, but are not limited to, assessing the reasonableness of the expected credit loss model used by management, including management's risk classification of trade receivables, taking into account forward-looking adjustment factors and comparing historical repayments to assess the customers' financial repayment capacity; checking the significant carrying amount, ageing analysis and overdue amount analysis by customer to review the rationality of the basic data of management to account for the impairment of trade receivables; making inquiry about management's special consideration, examining the subsequent receipts by checking against bank receipts and paying attention to the return of trading receivables and the adequacy of bad debts provision.

Ernst & Young Hua Ming (2019) 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 2018, the Group realised gas connection income of RMB89,764,193.35. According to the accounting policies presented in Note III.18 and Note III.27 to the consolidated financial statements, the revenue from gas connection contract is recognised by using the completion of performance obligation, 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.26 to the consolidated financial statements.	We have obtained management's calculation sheets of all gas connection contracts which were in progress as at 31 December 2018 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 payment slips, report of construction progress status which has been confirmed by the supervision party, and evaluated the completion of performance obligation of gas connection contracts which were in progress as at 31 December 2018.

Ernst & Young Hua Ming (2019) 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 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 (2019) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

6. AUDITOR'S 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 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 (2019) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

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

As part of an audit in accordance with 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 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

Renminbi Yuan

ASSETS	Note V	31 December 2018	31 December 2017
CURRENT ASSETS			
Cash and bank balances	1	**662,221,710.66**	487,228,014.40
Held-for-trading financial assets	2	**606,575,890.41**	–
Bills receivable and trade receivables	3	**280,005,554.44**	382,565,865.83
Prepayments	4	**1,264,754.10**	12,330,877.27
Other receivables	5	**5,191,859.67**	13,499,553.24
Inventories	6	**2,135,759.24**	2,634,474.00
Other current assets	7	**5,800,254.04**	627,839,761.12
Total current assets		**1,563,195,782.56**	1,526,098,545.86
NON-CURRENT ASSETS			
Long-term equity investments	8	**45,695,863.48**	45,732,389.46
Fixed assets	9	**839,676,408.47**	849,481,538.16
Construction in progress	10	**3,926,065.93**	3,251,773.50
Intangible assets	11	**11,735,671.62**	12,109,712.19
Deferred tax assets	12	**29,354,862.88**	23,868,683.78
Total non-current assets		**930,388,872.38**	934,444,097.09
TOTAL ASSETS		**2,493,584,654.94**	2,460,542,642.95

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2018
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2018	31 December 2017
CURRENT LIABILITIES			
Bills payable and trade payables	15	**349,393,394.75**	305,598,160.10
Advances from customers		**–**	246,139,859.30
Contract liabilities	16	**195,796,913.70**	–
Employee benefits payable	17	**16,832,231.28**	18,046,699.55
Taxes payable	18	**40,252,589.68**	50,420,556.68
Other payables		**43,107,692.71**	23,163,380.47
Current portion of non-current liabilities	19	**5,003,954.91**	3,265,164.61
Provisions		**1,612,720.00**	1,779,195.48
Total current liabilities		**651,999,497.03**	648,413,016.19
NON-CURRENT LIABILITIES			
Deferred income	20	**86,545,594.61**	66,589,640.40
Total non-current liabilities		**86,545,594.61**	66,589,640.40
Total liabilities		**738,545,091.64**	715,002,656.59
SHAREHOLDERS' EQUITY			
Share capital	21	**183,930,780.00**	183,930,780.00
Capital reserve	22	**790,332,352.18**	790,332,352.18
Specialised reserve	23	**1,317,309.05**	–
Surplus reserve	24	**121,554,718.66**	115,753,744.82
Retained earnings	25	**662,272,428.34**	659,620,982.39
Total equity attributable to shareholders of the Parent		**1,759,407,588.23**	1,749,637,859.39
Non-controlling interests		**(4,368,024.93)**	(4,097,873.03)
Total shareholders' equity		**1,755,039,563.30**	1,745,539,986.36
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,493,584,654.94**	2,460,542,642.95

The financial statements are signed by the following persons:

Legal Representative:	Chief Financial Officer:	Head of Accounting Department:
Zhao Wei	**Wang Quanhong**	**An Li**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

Renminbi Yuan

	Note V	2018	2017
Revenue	26	**1,519,525,521.08**	1,469,163,857.24
Less: Cost of sales	26	**1,483,518,754.04**	1,400,787,518.28
Taxes and surcharges	27	**1,660,875.80**	6,133,954.87
Administrative expenses	28	**29,300,558.98**	28,555,154.76
Finance costs	29	**(17,960,859.14)**	(15,360,587.32)
including: interest income		**18,701,463.11**	15,780,791.93
Asset impairment losses	30	**–**	13,643,273.55
Credit impairment losses	31	**416,447.41**	–
Add: Other income	32	**15,103,303.00**	6,195,937.76
Investment income	33	**15,444,702.92**	15,384,176.92
including: share of profit of an associate		**1,081,141.28**	2,439,519.37
Operating profit		**53,137,749.91**	56,984,657.78
Add: Non-operating income	34	**142,720.06**	38,000.00
Less: Non-operating expenses	35	**65,220.68**	4,541,015.16
Total profit		**53,215,249.29**	52,481,642.62
Less: Income tax expense	37	**13,764,748.80**	13,808,483.67
Net profit		**39,450,500.49**	38,673,158.95
Classified by continuity of operations			
Profit from continuing operations		**39,450,500.49**	38,673,158.95
Classified by ownership			
Profit attributable to shareholders of the Parent		**39,720,652.39**	40,073,261.21
Profit attributable to non-controlling interests		**(270,151.90)**	(1,400,102.26)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

Year ended 31 December 2018

Renminbi Yuan

	Note V	2018	2017
Other comprehensive income, net of tax		**–**	–
Total comprehensive income		**39,450,500.49**	38,673,158.95
Including:			
Total comprehensive income attributable to shareholders of the Parent		**39,720,652.39**	40,073,261.21
Total comprehensive income attributable to non-controlling interests		**(270,151.90)**	(1,400,102.26)
Earnings per share (RMB/Share)	38		
Basic		**0.02**	0.02
Diluted		**0.02**	0.02

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

Renminbi Yuan

2018

	Attributable to shareholders of the Parent							
	Share capital	Capital reserve	Specialised reserve note 1	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	–	115,753,744.82	659,620,982.39	1,749,637,859.39	(4,097,873.03)	1,745,539,986.36
II. Movements during the year								
(i) Total comprehensive income	–	–	–	–	39,720,652.39	39,720,652.39	(270,151.90)	39,450,500.49
(ii) Profit appropriation								
1. Transfer to surplus reserve	–	–	–	5,800,973.84	(5,800,973.84)	–	–	–
2. Distribution to shareholder	–	–	–	–	(31,268,232.60)	(31,268,232.60)	–	(31,268,232.60)
(iii) Specialised reserve								
1. Appropriation for the year	–	–	1,317,309.05	–	–	1,317,309.05	–	1,317,309.05
III. At end of the year	183,930,780.00	790,332,352.18	1,317,309.05	121,554,718.66	662,272,428.34	1,759,407,588.23	(4,368,024.93)	1,755,039,563.30

Note 1: Pursuant to 《企業安全生產費用提取和使用管理辦法》, the Group is required to provide safety production funds based on 1.5% revenue of sales of piped gas and gas transportation of last year. These funds were used for repair, maintenance and installing safety facilities. The movement of this year refers to the difference between the amount provided according to relevant laws and the amount utilised during the year.

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. At end of the year	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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

Renminbi Yuan

	Note V	2018	2017
1. Cash flows from operating activities			
Cash received from the sale of goods or rendering of services		**1,727,756,544.99**	1,428,772,548.74
Refunds of taxes		**9,256,599.38**	1,451,975.85
Cash received relating to other operating activities		**35,140,886.31**	18,441,235.79
Sub-total of cash inflows from operating activities		**1,772,154,030.68**	1,448,665,760.38
Cash paid for goods and services		**1,369,839,242.07**	1,281,938,347.28
Cash paid to and on behalf of employees		**128,903,235.59**	128,602,291.61
Cash paid for all types of taxes		**39,490,588.97**	32,515,648.95
Cash paid relating to other operating activities		**37,081,505.23**	50,053,491.68
Sub-total of cash outflows from operating activities		**1,575,314,571.86**	1,493,109,779.52
Net cash flows from/(used in) operating activities	39	**196,839,458.82**	(44,444,019.14)
2. Cash flows from investing activities			
Cash received from redemption of investments		**3,607,080,000.00**	3,467,080,000.00
Cash received from income on investments		**34,415,769.82**	28,204,724.28
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**1,690.00**	650.00
Sub-total of cash inflows from investing activities		**3,641,497,459.82**	3,495,285,374.28
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets		**46,733,090.62**	39,407,382.85
Cash paid for acquisition of investments		**3,557,080,000.00**	3,867,080,000.00
Sub-total of cash outflows from investing activities		**3,603,813,090.62**	3,906,487,382.85
Net cash flows from/(used in) investing activities		**37,684,369.20**	(411,202,008.57)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

Renminbi Yuan

	Note V	2018	2017
3. Cash flows from financing activities			
Sub-total of cash inflows from financing activities		**–**	–
Cash payments for distribution of dividends or profit and interest expenses		**9,632,902.35**	–
Sub-total of cash outflows from financing activities		**9,632,902.35**	–
Net cash flows from/(used in) financing activities		**(9,632,902.35)**	–
4. Effect of foreign exchange rate changes on cash and cash equivalents		**–**	–
5. Net increase/(decrease) in cash and cash equivalents		**224,890,925.67**	(455,646,027.71)
Add: Cash and cash equivalents at beginning of the year		**286,395,411.22**	742,041,438.93
6. Cash and cash equivalents at end of the year	39	**511,286,336.89**	286,395,411.22

STATEMENT OF FINANCIAL POSITION

31 December 2018
Renminbi Yuan

ASSETS	Note XIII	31 December 2018	31 December 2017
CURRENT ASSETS			
Cash and bank balances		**661,161,639.66**	485,347,138.70
Held-for-trading financial assets		**606,575,890.41**	–
Bills receivable and trade receivables	1	**280,005,554.44**	382,565,865.83
Prepayments		**1,211,303.85**	12,277,427.02
Other receivables	2	**5,938,148.17**	13,504,715.74
Inventories		**2,135,759.24**	2,634,474.00
Other current assets		**5,800,254.04**	627,839,761.12
Total current assets		**1,562,828,549.81**	1,524,169,382.41
NON-CURRENT ASSETS			
Long-term equity investments	3	**45,695,863.48**	45,732,389.46
Fixed assets		**839,676,408.47**	849,481,538.16
Construction in progress		**3,926,065.93**	3,251,773.50
Intangible assets		**11,735,671.62**	12,109,712.19
Deferred tax assets		**34,354,862.88**	28,868,683.78
Total non-current assets		**935,388,872.38**	939,444,097.09
TOTAL ASSETS		**2,498,217,422.19**	2,463,613,479.50

STATEMENT OF FINANCIAL POSITION (continued)

31 December 2018

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIII	31 December 2018	31 December 2017
CURRENT LIABILITIES			
Bills payable and trade payables		**349,347,394.75**	305,552,160.10
Advances from customers		**–**	246,139,859.30
Contract liabilities		**195,796,913.70**	–
Employee benefits payable		**16,831,939.82**	18,046,408.09
Taxes payable		**40,251,789.99**	50,411,221.67
Other payables		**40,446,824.71**	20,502,512.47
Current portion of non-current liabilities		**5,003,954.91**	3,265,164.61
Provisions		**1,612,720.00**	1,779,195.48
Total current liabilities		**649,291,537.88**	645,696,521.72
NON-CURRENT LIABILITIES			
Deferred income		**86,545,594.61**	66,589,640.40
Total non-current liabilities		**86,545,594.61**	66,589,640.40
Total liabilities		**735,837,132.49**	712,286,162.12
SHAREHOLDERS' EQUITY			
Share capital		**183,930,780.00**	183,930,780.00
Capital reserve		**790,332,352.18**	790,332,352.18
Specialised reserve		**1,317,309.05**	–
Surplus reserve		**121,554,718.66**	115,753,744.82
Retained earnings		**665,245,129.81**	661,310,440.38
Total shareholders' equity		**1,762,380,289.70**	1,751,327,317.38
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,498,217,422.19**	2,463,613,479.50

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

Renminbi Yuan

	Note XIII	2018	2017
Revenue	4	**1,519,525,521.08**	1,469,163,857.24
Less: Cost of sales	4	**1,483,518,754.04**	1,400,787,518.28
Taxes and surcharges		**1,660,875.80**	6,133,327.61
Administrative expenses		**27,745,945.99**	25,983,859.96
Finance costs		**(17,959,582.77)**	(15,358,713.61)
including: interest income		**18,698,292.39**	15,775,918.59
Asset impairment losses		**–**	16,078,615.14
Credit impairment losses		**416,447.41**	–
Add: Other income		**15,103,303.00**	6,195,937.76
Investment income	5	**15,444,702.92**	15,384,176.92
including: share of profit of an associate		**1,081,141.28**	2,439,519.37
Operating profit		**54,691,086.53**	57,119,364.54
Add: Non-operating income		**142,720.05**	38,000.00
Less: Non-operating expenses		**65,161.91**	4,541,015.17
Total profit		**54,768,644.67**	52,616,349.37
Less: Income tax expense		**13,764,748.80**	12,558,483.67
Net profit		**41,003,895.87**	40,057,865.70
Including: continuing operations		**41,003,895.87**	40,057,865.70
Other comprehensive income, net of tax		**–**	–
Total comprehensive income		**41,003,895.87**	40,057,865.70

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

Renminbi Yuan

2018

	Share capital	Capital reserve	Specialised reserve note 1	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning of the year	183,930,780.00	790,332,352.18	–	115,753,744.82	661,310,440.38	1,751,327,317.38
II. Movements during the year						
(i) Total comprehensive income	–	–	–	–	41,003,895.87	41,003,895.87
(ii) Profit appropriation						
1. Transfer to surplus reserve	–	–	–	5,800,973.84	(5,800,973.84)	–
2. Distribution to shareholders	–	–	–	–	(31,268,232.60)	(31,268,232.60)
(iii) Specialised reserve						
1. Appropriation for the year	–	–	1,317,309.05	–	–	1,317,309.05
III. At end of the year	183,930,780.00	790,332,352.18	1,317,309.05	121,554,718.66	665,245,129.81	1,762,380,289.70

Note 1: Pursuant to 《企業安全生產費用提取和使用管理辦法》, the Company is required to provide safety production funds based on 1.5% revenue of sales of piped gas and gas transportation of last year. These funds were used for repair, maintenance and installing safety facilities. The movement of this year refers to the difference between the amount provided according to relevant laws and the amount utilised during the year.

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. At end of the year	183,930,780.00	790,332,352.18	115,753,744.82	661,310,440.38	1,751,327,317.38

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

Renminbi Yuan

	2018	2017
1. Cash flows from operating activities		
Cash received from the sale of goods or rendering of services	**1,727,756,544.99**	1,428,772,548.74
Refunds of taxes	**9,256,599.38**	1,451,975.85
Cash received relating to other operating activities	**35,137,715.58**	18,436,362.46
Sub-total of cash inflows from operating activities	**1,772,150,859.95**	1,448,660,887.05
Cash paid for goods and services	**1,369,839,242.07**	1,281,942,372.74
Cash paid to and on behalf of employees	**128,831,935.59**	128,471,793.61
Cash paid for all types of taxes	**39,482,053.65**	32,502,729.57
Cash paid relating to other operating activities	**36,234,594.53**	48,828,311.36
Sub-total of cash outflows from operating activities	**1,574,387,825.84**	1,491,745,207.28
Net cash flows from/(used in) operating activities	**197,763,034.11**	(43,084,320.23)
2. Cash flows from investing activities		
Cash received from redemption of investments	**3,607,080,000.00**	3,467,080,000.00
Cash received from income on investments	**34,415,769.82**	28,204,724.28
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**1,690.00**	650.00
Sub-total of cash inflows from investing activities	**3,641,497,459.82**	3,495,285,374.28
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets	**46,733,090.62**	39,407,383.12
Cash paid for acquisition of investments	**3,557,080,000.00**	3,867,080,000.00
Sub-total of cash outflows from investing activities	**3,603,813,090.62**	3,906,487,383.12
Net cash flows from/(used in) investing activities	**37,684,369.20**	(411,202,008.84)

STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2018

Renminbi Yuan

	2018	2017
3. Cash flows from financing activities		
Sub-total of cash inflows from financing activities	–	–
Cash payments for distribution of dividends or profit and interest expenses	9,632,902.35	–
Sub-total of cash outflows from financing activities	9,632,902.35	–
Net cash flows from/(used in) financing activities	(9,632,902.35)	–
4. Effect of foreign exchange rate changes on cash and cash equivalents	–	–
5. Net increase/(decrease) in cash and cash equivalents	225,814,500.96	(454,286,329.07)
Add: Cash and cash equivalents at beginning of the year	285,347,138.70	739,633,467.77
6. Cash and cash equivalents at end of the year	511,161,639.66	285,347,138.70

I. BASIC INFORMATION

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 headquarters is located at No.18 Zhengzhou Road, Heping District, Tianjin.

The Company's original registered capital was RMB2 million. Pursuant to a resolution of the 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《關於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 the 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 the 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 to 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 *(continued)*

On 28 December 2005, Leason and Tianjin Wanshun Real Estate Company Limited（天津萬順置業有限公司）("Tianjin Wanshun") entered into a share transfer agreement in relation to 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 to 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, as 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 of RMB0.10 each) and converted 15,460,000 Domestic Shares into H Shares by way of placing of new shares on the 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 satisfy the consideration, the Company issued 689,707,800 Domestic Shares (par value of 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 the 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.21.

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

I. BASIC INFORMATION *(continued)*

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.

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 share transfer was 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 the share 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 the 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 the 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 the 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 2019. 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 OF THE FINANCIAL STATEMENTS

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 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 truly and completely, the financial position of the Group and the Company as at 31 December 2018 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 year for the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

4. Business combinations

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 in the financial statements 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.

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.

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

4. Business combinations *(continued)*

Business combinations not involving entities under common control *(continued)*

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 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.

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements 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.

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

5. Consolidated financial statements *(continued)*

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments (effective for annual periods beginning on 1 January 2018)

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;

(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.

Regular way purchase or sale of financial assets is 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 the Group undertakes to buy or sell a financial asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments (effective for annual periods beginning on 1 January 2018) *(continued)*

Classification and measurement of financial assets

The Group's financial assets are, on initial recognition, classified into the following categories based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value through profit or loss and financial assets measured at amortised cost. A financial asset is initially recognised at fair value. However, if the initial recognition of trade receivables or bills receivable arising from the sale of goods or rendering of services does not include significant financing components or does not consider financing components not exceeding one year, it shall be initially confirmed at the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognised in profit or loss for the current period, transaction costs related to other types of financial assets are included in their initial recognition amount.

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

Debt instrument investments measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. For such financial assets, the effective interest method is used for recognition of interest income. The gains or losses arising from derecognition, modification or impairment are recognised in profit or loss. Such financial assets mainly include cash and bank balances, trade receivables and bills receivable and other receivables.

Financial assets measured at fair value through profit or loss

Except for the financial assets measured at amortised cost, other financial assets are classified as financial assets measured at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the current period. Such financial assets are presented as held-for-trading financial assets and are presented as other non-current financial assets if the expiry date of financial assets is more than one year from the balance sheet date and the financial assets are expected to be held for more than one year.

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

7. Financial instruments (effective for annual periods beginning on 1 January 2018) *(continued)*

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities. Transaction costs relating to other financial liabilities are included in the initial recognition amounts.

Subsequent measurement of a financial liability is determined by its category as follows:

Other financial liabilities

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

Impairment of financial assets

The Group performs impairment treatment on financial assets measured at amortised cost and provides impairment provision on the basis of expected credit losses.

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets generated or purchased by the Group which have been credit-depleted shall be discounted according to the actual interest rate adjusted by the financial assets.

For receivables which do not contain significant financing components, the Group uses a simplified measurement method to provide loss provision based on the amount of expected credit losses equivalent to the entire duration of life.

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

7. Financial instruments (effective for annual periods beginning on 1 January 2018) *(continued)*

Impairment of financial assets *(continued)*

In addition to the mentioned financial assets other than the simplified measurement method, the Group assesses whether the credit risk of financial assets has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, as at stage 1, the loss allowance is measured at an amount equal to 12-month expected credit losses, and the interest income is measured by carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but not credit-impaired, as at stage 2, the loss allowance is measured at an amount equal to lifetime expected credit losses, and the interest income is measured by carrying amount and the effective interest rate; if the financial assets are credit-impaired at the reporting date, as at stage 3, the loss allowance is measured at an amount equal to lifetime expected credit losses, and the interest income is measured by amortised cost and the effective interest rate. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The Group assesses the expected credit losses based on an individual and a collective basis. The Group considers credit risk characteristics of different customers, and assesses the expected credit losses of receivables financial instruments based on an ageing collective basis.

The Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions when assessing the expected credit losses.

Refer to Note VII.2 for the details of the Group's judging criteria of significant increase of credit risk, the definition of the financial assets that are credit-impaired, and the assumption of assessment of expected credit losses.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group writes down the carrying amount of the financial assets directly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments (effective for annual periods beginning on 1 January 2018) *(continued)*

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.

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; and 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.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

8. Financial instruments (applicable for annual period of 2017)

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.

Regular way purchases or sales 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

8. Financial instruments (applicable for annual period of 2017)

(continued)

Classification and measurement of financial assets

The Group's financial assets are, on initial recognition, classified into the following categories: loans and receivables. A financial asset is initially recognised at fair value. 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:

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 profit or loss of the current period.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities. 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:

Other financial liabilities

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

8. Financial instruments (applicable for annual period of 2017)

(continued)

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.

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 made 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. Including other criteria for allowance account for written off the carrying value of the impaired financial asset, for loans and receivables, if no collectable future cash flows are expected, and all related collateral is sold or transferred to the Group, loans and receivables with related impairment allowances are written off.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

8. Financial instruments (applicable for annual period of 2017)

(continued)

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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.

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

8. Financial instruments (applicable for annual period of 2017)

(continued)

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.

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

9. Receivables

The Group's recognition standard and method of the provision for bad debts of receivables in 2017 are as follows:

Receivables that are individually significant and are provided for bad debts on an 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

9. Receivables *(continued)*

Receivables that are individually insignificant but are provided for bad debts on an 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.

Receivables for which provision for bad debts made based on 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 debt 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. Based on the customers relationship, the Group divides receivables into related party group and non-related party group. Provisions for related party group are based on the analysis of repayment capability and historical payment status. Provisions for non-related party group are based on the ageing analysis 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.

Refer to Note III.7 for the details of the Group's recognition standard and method of the provision for bad debts of receivables effective for annual periods beginning on 1 January 2018.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

10. 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)*

11. 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 the 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 the 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 on a pro rata basis. 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 the 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 on a pro rata basis. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. 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)

11. 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)

11. 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 on disposal, the other comprehensive income relevant to the 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)

12. 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 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 assets 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)

13. 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.

14. 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)

15. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes and 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 is 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 flows 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)*

15. 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, on a pro rata basis of the carrying amount of each asset.

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

16. 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.

Post-employment benefits (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)

16. 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.

17. 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

18. Revenue (effective for annual periods beginning on 1 January 2018)

The Group recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

Revenue from sales of goods contracts

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from the sale of goods should be recognised at the point in time when control of the goods is transferred to customers based on the following considerations: a present right to payment for the goods, the transfer of the significant risks and rewards of the ownership of the goods to the customer, the transfer of the legal title of the goods to the customer, the customer's physical possession of the goods and the customer's acceptance of the goods.

Revenue from gas connection contracts

The Group's contracts with customers for the construction contracts generally include performance obligation in gas connection contracts. As services generated during the Group's performance have irreplaceable utilisation, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now, the Group considers such revenue as performance obligations fulfilled during a period of time and recognises the revenue based on the progress of the performance, except for the progress of the performance that cannot be reasonably determined. The Group determines the progress of performance of the services provided in accordance with the input method. For the progress of the performance that cannot be reasonably determined, when the performance of the Group is expected to be compensated, the revenue is recognised based on the amount of costs incurred until the progress of performance can be reasonably determined.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

18. Revenue (effective for annual periods beginning on 1 January 2018)

(continued)

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.

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.

19. Revenue (applicable for annual period of 2017)

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.

Revenue from 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.

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

19. Revenue (applicable for annual period of 2017) *(continued)*

Revenue from 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

20. Contract assets and contract liabilities (effective for annual periods beginning on 1 January 2018)

The Group presents contract assets or contract liabilities in the statement of financial position based on the relationship between the completion of performance obligations and customer payments.

Contract assets

Receivables represent the right to consideration in exchange for goods or services transferred to a customer unconditionally (that is, only depending on the passage of time). A contract asset is recognised when the Group is entitled to the right to consideration as transferring goods or services to a customer and the right depends on factors other than the passage of time.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer, such as consideration received by an enterprise prior to the transfer of the promised goods.

The Group offsets contract assets and contract liabilities of same contract and presents in net amount.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

21. 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 judgements. 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 grant 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 have been sold, disposed of, 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)

22. 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 from 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, joint ventures 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)*

22. 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 deductible temporary differences arise 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, joint ventures 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

23. 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.

24. Distribution of profit

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

25. Safety production funds

Safety production funds provided according to the regulations are included in costs of related products or profit or loss, and credited to the specialised reserves. They are treated differently when being utilised: (1) the specialised reserves are offset against for those attributable to the expense nature; (2) the cumulative expenditures are recognised as a fixed asset for those attributable to the fixed asset nature when the working condition for the intended use is reached, and at the same time, specialised reserves are offset against with the full depreciation of the fixed asset, at the same amount.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

26. Fair value measurement

The Group measures held-for-trading financial assets 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 orderly 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 at the measurement date. 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

27. 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. 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Measurement of progress towards completion of performance obligation in gas connection contracts

The Group adopts the input method to determine the progress towards completion of performance obligation in gas connection contracts. Specifically. the progress of completion is measured with reference to the actual construction costs incurred as a percentage of the total estimated construction costs, and the actual construction costs incurred till the end of the reporting period contain direct costs and related indirect costs. The Group considers that contract price of a gas connection contract with customer is determined with reference to the costs, and the progress towards completion of performance obligation can be reasonably reflected by reference to the actual construction costs incurred as a percentage of the total estimated construction costs. The Group recognises revenue from gas connection contracts using the percentage of completion. Since the duration of construction contracts usually falls into different accounting periods, the Group reviews and revises the estimates in the budget for the construction costs prepared by each contract along with the contract progresses, and the revenue will be adjusted accordingly.

The contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, the correction of the time value of the currency is included. In the assessment, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

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.

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgements and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that sufficient taxable profits 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

28. Changes in accounting policies and accounting estimates

Changes in accounting policies

In 2017, the Ministry of Finance announced the revised "Accounting Standard for Business Enterprises No.14 – Revenue" (the "New Revenue Standard"), "Accounting Standard for Business Enterprises No.22 – Recognition and measurement for financial instruments", "Accounting Standard for Business Enterprises No.23 – Transfer of financial assets", "Accounting Standard for Business Enterprises No.24 – Hedging" and "Accounting Standard for Business Enterprises No.37 – Presentation of financial instruments" (the "New Financial Instruments Standard"). The Group began to implement the accounting treatment to the above newly revised standards from 1 January 2018. According to the convergence rules, the information for the comparative period will not be adjusted and opening retained earnings or other comprehensive income will be retrospectively adjusted since the difference between the implementation of the new standards and the current standards on the first day.

The New Revenue Standard

The New Revenue Standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the New Revenue Standard, the way in which the revenue is recognised should reflect the mode in which the entity transfers goods or services to customers. The amount of revenue should reflect the amount of consideration that the entity is expected to receive due to the transfer of such goods and services to the customer. At the same time, the New Revenue Standard also regulates the judgements and estimates required for each aspect of revenue recognition. The Group only adjusts the cumulative impact of contracts that have not been completed on 1 January 2018. For changes to contracts that occurred before 1 January 2018, the Group adopted a simplified treatment method that all contracts were changed according to the contract and the final arrangement identifies the performance obligations that have been and have not been fulfilled, determines the transaction price, and apportions the transaction price between the fulfilled and outstanding performance obligations.

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

28. Changes in accounting policies and accounting estimates *(continued)*

Changes in accounting policies *(continued)*

The New Revenue Standard (continued)

Impacts of the adoption of the New Revenue Standard on items of the consolidated and company statement of financial position at 1 January 2018 are as follows:

Item	31 December 2017	Reclassification	Remeasurement	1 January 2018
Current liabilities				
Advances from customers	246,139,859.30	(246,139,859.30)	–	–
Contract liabilities	–	246,139,859.30	–	246,139,859.30

Impacts of the adoption of the New Revenue Standard on the consolidated and company financial statements for the year ended 31 December 2018 are as follows:

Consolidated and company statement of financial position

Item	31 December 2018 under new standards for revenue	Reclassification	31 December 2018 assuming implementing the original standards for revenue
Current liabilities			
Advances from customers	–	195,796,913.70	195,796,913.70
Contract liabilities	195,796,913.70	(195,796,913.70)	–

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

28. Changes in accounting policies and accounting estimates *(continued)*

Changes in accounting policies *(continued)*

The New Financial Instruments Standard

The New Financial Instruments Standard changes the classification and measurement of financial assets and requires three major measurement categories: financial assets are measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Equity investments shall be measured at fair value through profit or loss. However, the Company can select to designate non-transactional equity investments measured at fair value through other comprehensive income at the date of initial application and the election is irrevocable.

The New Financial Instruments Standard requires an "expected credit loss" model for recognition and measurement of impairment in financial assets instead of an "objective evidence of impairment" model. The expected credit loss model is applied in financial assets measured at amortised cost or fair value through other comprehensive income, loan commitments and guarantee contracts.

Certain structured deposits held by the Group are linked to variables such as gold price and foreign exchange rate. The Group accounted for the derivatives embedded in the structured deposits separately, and the main debt contract was presented as cash and bank balances before 1 January 2018. After 1 January 2018, the Group analysed the characteristics of its overall contract cash flow, arguing that the cash flow of the contract represented more than the payment of the principal and interest based on the outstanding principal, and therefore the structured deposits are reclassified as financial assets measured at fair value through profit or loss and presented as held-for-trading financial assets.

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

28. Changes in accounting policies and accounting estimates *(continued)*

Changes in accounting policies *(continued)*

The New Financial Instruments Standard (continued)

On the first adoption date, the compared results of financial assets classified and measured in accordance with the original and revised standard for recognition and measurement of financial instruments are as follows:

The Group and the Company

	Original standard for recognition and measurement of financial instruments		Revised standard for recognition and measurement of financial instruments	
	Measurement category	**Book value**	**Measurement category**	**Book value**
Structured deposits	Amortised cost (Cash and bank balances)	200,000,000.00		
	Amortised cost (Other receivables)	3,004,109.59	Measured at fair value through profit or loss (Standard requirement)	203,004,109.59
Total		203,004,109.59		203,004,109.59

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

28. Changes in accounting policies and accounting estimates *(continued)*

Changes in accounting policies *(continued)*

The New Financial Instruments Standard (continued)

On the first adoption date, the adjustment table that the carrying amount of the original financial assets is adjusted to be classified and measured as the revised financial assets in accordance with the revised recognition and measurement for the New Financial Instruments Standard is as follows:

The Group and the Company

	Carrying amount under original financial instruments standard 31 December 2017	Reclassification	Remeasurement	Carrying amount under new financial instruments standard 1 January 2018
Cash and bank balances	487,228,014.40	(200,000,000.00)	–	287,228,014.40
Other receivables	13,499,553.24	(3,004,109.59)	–	10,495,443.65
Held-for-trading financial assets	–	203,004,109.59	–	203,004,109.59
Total	500,727,567.64	–	–	500,727,567.64

Changes in presentation of financial statements

According to 《關於修訂印發2018年度一般企業財務報表格式的通知》(財會[2018]15號), the Group consolidated the "Bills receivable" and "Trade receivables" to the newly added "Bills receivable and trade receivables" item, consolidated the "Interest receivable" and "Dividends receivable" to "Other receivables", consolidated the "Bills payable" and "Trade payables" to the newly added "Bills payable and trade payables" item in the statement of financial position. The "Interest expense" and "Interest income" are spilt from the "Finance costs" item in the statement of profit or loss. The Group has retrospectively adjusted the comparative amounts correspondingly. This change of accounting policy has had no impact on the consolidated and company net profit and equity.

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

28. Changes in accounting policies and accounting estimates *(continued)*

Changes in accounting policies *(continued)*

Changes in the item to be presented for cash flows of government grants related to assets

According to《關於2018年度一般企業財務報表格式有關問題的解讀》, when preparing the statement of cash flows, the cash flows originally presented as cash flows from investing activities are presented as cash flows from operating activities. The Group adjusted the comparative amounts retrospectively. These changes in accounting policies reduced the net cash flows from investing activities in the consolidated and company statements of cash flows and increased the net cash flows from operating activities by the same amount, but had no impact on the net decrease in cash and cash equivalents.

IV. TAXES

1. Major categories of taxes and respective tax rates

Value-added tax (VAT)	–	Before 1 May 2018, the Group's revenue from sales of piped gas, gas connection and gas transportation and rent was taxable to output VAT at a tax rate of 11% and other revenues were taxable to output VAT at a tax rate of 17% which was levied after deducting deductible input VAT for the current period. Since 1 May 2018, the Group's revenue from sales of piped gas, gas connection and gas transportation and rent is taxable to output VAT at a tax rate of 10% and other revenues are taxable to output VAT at a tax rate of 16%.
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	–	Corporate income tax is levied at 25% on the taxable profit.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2018	2017
Cash	**17,545.34**	13,478.65
Cash at banks	**661,268,791.55**	486,381,932.57
Other monetary funds	**935,373.77**	832,603.18
	662,221,710.66	487,228,014.40

As at 31 December 2018, the Group had unpledged 6 months fixed deposits of RMB150,000,000.00 which cannot be readily withdrawn on demand (31 December 2017: Nil).

As at 31 December 2018, the cash and bank balances amounting to RMB935,373.77 were restricted as guarantee deposits for environment protection (31 December 2017: RMB832,603.18). Refer to Note V.14 for the details.

As at 31 December 2017, the Group had structured deposits of RMB200,000,000.000 which cannot be terminated prematurely within the maturity periods.

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term time deposits vary from several days to 6 months depending on the cash requirements of the Group and earn interest income at the respective banks' time deposit rates.

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

2. Held-for-trading financial assets (only applicable for 2018)

	2018
Financial assets measured at fair value through profit or loss	
Structured deposits	**606,575,890.41**
	606,575,890.41

At 31 December 2018, the Group purchased structured deposits amounting to RMB606,575,890.41. These structured deposits were issued by 華夏銀行, 上海銀行 and 中信銀行, respectively, with guaranteed principals and not redeemable before the maturity date by the Group. As the expected annual return rates of these structured deposits are linked to variables such as CSI (China Securities Index) 300 Index or US Libor (London Interbank Offered Rate) and maturity periods are within 90 days, these structured deposits are classified as financial assets measured at fair value through profit or loss and presented as held-for-trading financial assets as at 31 December 2018.

3. Bills receivable and trade receivables

	2018	2017
Bills receivable	**194,815,158.62**	192,759,059.65
Trade receivables	**85,190,395.82**	189,806,806.18
	280,005,554.44	382,565,865.83

Bills receivable

	2018	2017
Commercial acceptance bills	**143,200,000.00**	52,769,831.74
Bank acceptance bills	**51,615,158.62**	139,989,227.91
	194,815,158.62	192,759,059.65

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

3. Bills receivable and trade receivables *(continued)*

Trade receivables

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

The ageing of trade receivables is analysed below:

	2018	2017
Within 1 year	**84,475,260.94**	183,235,734.08
1 to 2 years	**2,778,067.52**	8,222,071.26
2 to 3 years	**2,501,273.51**	3,148,752.88
Over 3 years	**11,192,646.28**	10,471,652.98
	100,947,248.25	205,078,211.20
Less: Provision for bad debts of trade receivables	**15,756,852.43**	15,271,405.02
	85,190,395.82	189,806,806.18

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

3. Bills receivable and trade receivables *(continued)*

Trade receivables *(continued)*

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
2018	15,271,405.02	2,282,226.61	(1,796,779.20)	15,756,852.43
2017	10,477,402.01	4,884,053.01	(90,050.00)	15,271,405.02

In 2018, the Group provided bad debts of RMB2,282,226.61 (2017: RMB4,884,053.01), and reversed bad debts of RMB1,796,779.20 (2017: RMB90,050.00).

The category of trade receivables is analysed below:

	2018			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts on individual basis of expected credit losses	15,594,757.62	15.4	15,594,757.62	100.0
Provision for bad debts by credit risk characteristic group of expected credit losses	85,352,490.63	84.6	162,094.81	0.2
	100,947,248.25	100.0	15,756,852.43	15.6

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

3. Bills receivable and trade receivables *(continued)*

Trade receivables *(continued)*

The expected credit losses of trade receivables for the Group by ageing are as follows:

	2018		
	Estimated carrying amount arising from default	**Expected credit loss rate**	**Expected credit losses**
1 to 6 months	83,673,781.14	–	–
6 months to 1 year	801,479.80	5.0%	40,073.99
1 to 2 years	762,903.52	10.0%	76,290.35
2 to 3 years	–	20.0%	–
Over 3 years	114,326.17	40.0%	45,730.47
	85,352,490.63	0.2%	162,094.81

4. Prepayments

The ageing of prepayments is analysed below:

	2018		2017	
	Carrying amount	**Percentage (%)**	Carrying amount	Percentage (%)
Within 1 year	**579,588.95**	**46**	10,525,201.79	85
1 to 2 years	**685,165.15**	**54**	1,805,675.48	15
	1,264,754.10	**100**	12,330,877.27	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 have 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 ageing of other receivables is analysed below:

	2018	2017
Within 1 year	**4,834,483.60**	13,380,887.17
1 to 2 years	**169,710.00**	203,413.16
2 to 3 years	**203,413.16**	186,873.77
Over 3 years	**2,762,541.23**	2,575,667.46
	7,970,147.99	16,346,841.56
Less: Provision for bad debts of other receivables	**2,778,288.32**	2,847,288.32
	5,191,859.67	13,499,553.24

The provision for bad debts of other receivables made according to expected credit losses over the 12 months in 2018 is as follows:

	Stage 1 Expected credit losses over the next 12 months	Total
At 1 January 2018	**2,847,288.32**	2,847,288.32
Provision for the year	**–**	–
Reversal during the year	**(69,000.00)**	(69,000.00)
Transfer during the year	**–**	–
Write-off during the year	**–**	–
	2,778,288.32	2,778,288.32

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

5. Other receivables *(continued)*

The movements in the provision for bad debts of other receivables in 2017 are as follows:

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

Other receivables by nature are as follows：

	2018	2017
Employees' borrowings	**818,437.76**	1,999,275.87
Subsidy	**2,920,000.00**	6,755,500.00
Deposits and others	**4,231,710.23**	7,592,065.69
	7,970,147.99	16,346,841.56

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

6. Inventories

	2018	2017
Gas	**219,724.83**	207,936.59
Gas appliances	**1,916,034.41**	2,426,537.41
	2,135,759.24	2,634,474.00

As of 31 December 2018, the management of the Group considered that, there was no provision for impairment of inventories (31 December 2017: Nil).

7. Other current assets

	2018	2017
Wealth management products	**–**	608,013,698.64
Input VAT	**5,800,254.04**	19,826,062.48
	5,800,254.04	627,839,761.12

At 31 December 2017, the Group purchased wealth management products amounting to RMB608,013,698.64. These products were issued by licenced financial institutions with guaranteed principals and were unredeemable before the maturity date. The expected annual return rates of these products were 3.75%, 3.80% and 3.90% per annum and the maturity periods are all within 60 days. The management of the Group classified these products as other current assets on initial recognition.

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

8. Long-term equity investments

2018

	Opening balance	Current year movements: Increase in investment	Decrease in investment	Investment income/loss under the equity method	Other equity movement	Cash dividends announced	Closing carrying amount	Year-end provision for impairment
Associate								
天津市濱海燃氣有限公司	45,732,389.46	–	–	1,081,141.28	79,219.94	(1,196,887.20)	45,695,863.48	–

2017

	Opening balance	Current year movements: Increase in investment	Decrease in investment	Investment income/loss under the equity method	Other equity movement	Cash dividends announced	Closing carrying amount	Year-end provision for impairment
Associate								
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	–

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

9. Fixed assets

The Group had no fixed assets pending for disposal.

2018

	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening 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
Purchase	–	379,920.52	7,696,694.35	75,504.71	344,397.00	–	8,496,516.58
Transferred from construction in progress	–	35,234,315.95	–	–	–	–	35,234,315.95
Disposal or scrap	5,850.00	1,700,865.66	–	662,515.00	–	–	2,369,230.66
Closing balance	47,625,639.54	1,182,893,579.77	110,631,678.86	6,663,677.49	8,614,081.18	4,558,482.24	1,360,987,139.08
Accumulated depreciation							
Opening 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
Provision	1,106,771.64	45,546,457.27	4,153,534.13	415,267.28	540,964.74	–	51,762,995.06
Disposal or scrap	–	–	–	596,263.50	–	–	596,263.50
Closing balance	13,408,016.99	446,657,592.33	39,905,475.64	4,989,458.62	5,724,815.37	2,747,063.24	513,432,422.19
Impairment provision							
Opening balance	–	–	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Provision	–	–	–	–	–	–	–
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							
At end of the year	34,217,622.55	736,235,987.44	64,731,694.97	1,614,501.99	2,876,601.52	–	839,676,408.47
At beginning of the year	35,330,244.19	747,869,073.90	61,188,534.75	2,020,516.06	3,073,169.26	–	849,481,538.16

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

9. Fixed assets *(continued)*

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							
At end of the year	35,330,244.19	747,869,073.90	61,188,534.75	2,020,516.06	3,073,169.26	–	849,481,538.16
At beginning of the year	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

As at 31 December 2018, the Group had no fixed assets pending certificates of property ownership (31 December 2017: Nil).

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

10. Construction in progress

The Group had no construction materials.

Construction in progress

	2018			2017		
	Gross carrying amount	**Provision for impairment**	**Carrying amount**	Gross carrying amount	Provision for impairment	Carrying amount
Buildings	**2,138,040.00**	**–**	**2,138,040.00**	2,138,040.00	–	2,138,040.00
Gas stations and others	**1,788,025.93**	**–**	**1,788,025.93**	1,113,733.50	–	1,113,733.50
Mines	**408,920.27**	**(408,920.27)**	**–**	408,920.27	(408,920.27)	–
	4,334,986.20	**(408,920.27)**	**3,926,065.93**	3,660,693.77	(408,920.27)	3,251,773.50

The movements of construction in progress in 2018 are as follows:

	Opening balance	**Addition**	**Transferred to fixed assets**	**Other transfer out**	**Closing balance**
Buildings	**2,138,040.00**	**–**	**–**	**–**	**2,138,040.00**
Pipeline reconstruction	**–**	**35,634,719.69**	**35,234,315.95**	**400,403.74**	**–**
Gas stations and others	**1,113,733.50**	**714,292.43**	**–**	**40,000.00**	**1,788,025.93**
Connecting pipe renovation	**–**	**1,887,561.92**	**–**	**1,887,561.92**	**–**
Mines	**408,920.27**	**–**	**–**	**–**	**408,920.27**
	3,660,693.77	**38,236,574.04**	**35,234,315.95**	**2,327,965.66**	**4,334,986.20**

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

10. Construction in progress *(continued)*

Construction in progress *(continued)*

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

	Opening balance	Addition	Transferred to fixed assets	Other transfer out	Closing balance
Buildings	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 stations 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	–	–
Mines	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. Intangible assets

2018

	Land use rights	Software licences	Mineral rights	Total
Cost				
Opening balance	14,316,891.30	718,271.28	16,765,984.00	31,801,146.58
Purchase	–	–	–	–
Closing balance	14,316,891.30	718,271.28	16,765,984.00	31,801,146.58
Accumulated amortisation				
Opening balance	2,791,036.27	134,414.12	7,243,935.07	10,169,385.46
Provision	302,213.37	71,827.20	–	374,040.57
Closing balance	3,093,249.64	206,241.32	7,243,935.07	10,543,426.03
Impairment provision				
Opening balance	–	–	9,522,048.93	9,522,048.93
Provision	–	–	–	–
Closing balance	–	–	9,522,048.93	9,522,048.93
Net carrying amount				
At end of the year	11,223,641.66	512,029.96	–	11,735,671.62
At beginning of the year	11,525,855.03	583,857.16	–	12,109,712.19

The land use rights related to the land located in Mainland China which were acquired through a long-term agreement on land use rights.

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

11. Intangible assets *(continued)*

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				
At end of the year	11,525,855.03	583,857.16	–	12,109,712.19
At beginning of the year	11,828,068.40	375,769.84	2,123,350.54	14,327,188.78

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

12. Deferred tax assets

Deferred tax assets balances are as follows:

	2018		2017	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Provision for bad debts	**18,535,140.75**	**4,633,785.18**	18,118,693.34	4,529,673.34
Provision for impairment of fixed assets	**5,722,041.27**	**1,430,510.32**	5,722,041.27	1,430,510.32
Provisions	**1,612,720.00**	**403,180.00**	1,779,195.48	444,798.87
Deferred income	**91,549,549.52**	**22,887,387.38**	69,854,805.01	17,463,701.25
	117,419,451.54	**29,354,862.88**	95,474,735.10	23,868,683.78

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

	2018	2017
Deductible temporary differences	**12,087,236.35**	12,087,236.35
Deductible losses	**9,897,586.67**	13,075,250.00
	21,984,823.02	25,162,486.35

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

12. Deferred tax assets *(continued)*

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

	2018	2017
2018	**–**	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**	2,569,148.35
2023	**1,553,395.38**	–
	9,897,586.67	13,075,250.00

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

13. Provision for impairment of assets

2018

	Opening balance	Provision	Decrease Reversal	Decrease Write-off	Closing balance
Provision for bad debts					
– Trade receivables	**15,271,405.02**	**2,282,226.61**	**(1,796,779.20)**	**–**	**15,756,852.43**
– Other receivables	**2,847,288.32**	**–**	**(69,000.00)**	**–**	**2,778,288.32**
Provision for impairment of fixed assets	**7,878,308.42**	**–**	**–**	**–**	**7,878,308.42**
Provision for impairment of construction in progress	**408,920.27**	**–**	**–**	**–**	**408,920.27**
Provision for impairment of intangible assets	**9,522,048.93**	**–**	**–**	**–**	**9,522,048.93**
	35,927,970.96	**2,282,226.61**	**(1,865,779.20)**	**–**	**36,344,418.37**

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

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

14. Assets restricted by ownership

	2018	2017
Other monetary funds	**935,373.77**	832,603.18

At 31 December 2018, deposits of RMB935,373.77 were restricted as guarantee deposits for environment protection by the government in Industrial and Commercial Bank of China (31 December 2017: RMB832,603.18).

15. Bills payable and trade payables

	2018	2017
Bills payable	**–**	–
Trade payables	**349,347,394.75**	305,598,160.10
	349,347,394.75	305,598,160.10

Trade payables

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

	2018	2017
Within 1 year	**301,996,278.75**	275,152,192.58
1 to 2 years	**42,156,631.53**	20,706,123.66
Over 2 years	**5,194,484.47**	9,739,843.86
	349,347,394.75	305,598,160.10

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

16. Contract liabilities

	Opening balance under new revenue standard	Increase	Recognised as income	Closing balance
Advances from sales of piped gas	135,775,786.36	457,905,588.55	446,424,079.08	147,257,295.83
Advances from gas connection	94,978,518.58	33,231,513.11	87,313,483.43	40,896,548.26
Advances from sales of gas appliances	15,113,668.00	3,928,843.03	11,625,431.03	7,417,080.00
Others	271,886.36	615,603.25	661,500.00	225,989.61
	246,139,859.30	495,681,547.94	546,024,493.54	195,796,913.70

17. Employee benefits payable

2018

	Opening balance	**Increase**	**Decrease**	**Closing balance**
Short-term employee benefits	**18,051,651.98**	**112,214,581.56**	**113,429,270.22**	**16,836,963.32**
Post-employment benefits (defined contribution plan)	**(4,952.43)**	**16,264,120.56**	**16,263,900.17**	**(4,732.04)**
Termination compensation	**–**	**5,112.20**	**5,112.20**	**–**
	18,046,699.55	**128,483,814.32**	**129,698,282.59**	**16,832,231.28**

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
Post-employment benefits (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

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

17. Employee benefits payable *(continued)*

Details of short-term benefits are as follows:

2018

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	14,246,557.46	91,446,383.53	92,663,783.53	13,029,157.46
Employee bonus and welfare fund	3,001,223.34	–	–	3,001,223.34
Social insurance	25,896.30	9,148,179.72	9,148,888.77	25,187.25
Including: Medical insurance	26,696.30	8,246,058.41	8,246,767.46	25,987.25
Work injury insurance	(800.00)	487,581.13	487,581.13	(800.00)
Maternity insurance	–	414,540.18	414,540.18	–
Housing fund	(1,576.00)	9,471,424.04	9,471,637.69	(1,789.65)
Union fund and employee education fund	779,550.88	2,148,594.27	2,144,960.23	783,184.92
	18,051,651.98	112,214,581.56	113,429,270.22	16,836,963.32

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

17. Employee benefits payable *(continued)*

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

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)*

17. Employee benefits payable *(continued)*

Details of defined contribution plan are as follows:

2018

	Opening balance	**Increase**	**Decrease**	**Closing balance**
Basic pension insurance	**3,047.87**	**15,845,296.72**	**15,845,033.64**	**3,310.95**
Unemployment insurance	**(8,000.30)**	**418,823.84**	**418,866.53**	**(8,042.99)**
	(4,952.43)	**16,264,120.56**	**16,263,900.17**	**(4,732.04)**

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)

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

18. Taxes payable

	2018	2017
Value-added tax	**30,392,226.91**	38,512,309.75
Corporate income tax	**8,627,250.83**	10,202,241.66
Business tax	**–**	(45,819.29)
Others	**1,233,111.94**	1,751,824.56
	40,252,589.68	50,420,556.68

19. Current portion of non-current liabilities

	2018	2017
Current portion of government grants (Note V.20)	**5,003,954.91**	3,265,164.61

20. Deferred income

	2018	2017
Government grants related to assets/income		
Opening balance	**69,854,805.01**	52,812,978.53
Increase	**27,328,033.00**	24,645,500.00
Amortisation	**5,633,288.49**	4,743,961.91
Decrease	**–**	2,859,711.61
Closing balance	**91,549,549.52**	69,854,805.01
Less: Current portion of deferred income	**5,003,954.91**	3,265,164.61
Closing balance	**86,545,594.61**	66,589,640.40

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

20. Deferred income *(continued)*

Liabilities relevant to government grants as at 31 December 2018 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	3,619,941.69	–	(180,999.00)	–	(180,999.00)	3,257,943.69	Asset
富力桃園 medium pressure pipeline	5,207,407.52	–	(548,148.12)	–	(548,148.12)	4,111,111.28	Asset
Pipeline reconstruction of 2014	9,270,895.27	–	(409,845.49)	–	(409,845.50)	8,451,204.28	Asset/income
Pipeline reconstruction of 2015	11,314,056.85	–	(483,120.37)	–	(483,120.37)	10,347,816.11	Asset/income
Pipeline reconstruction of 2016	16,161,507.55	2,920,000.00	(874,600.19)	–	(796,402.99)	17,410,504.37	Asset/income
Pipeline reconstruction of 2017	20,113,707.14	–	(757,578.18)	–	(771,587.86)	18,584,541.10	Asset/income
Pipeline reconstruction of 2018	–	23,170,000.00	(218,287.68)	–	(805,951.52)	22,145,760.80	Asset/income
Connecting pipe renovation	2,949,889.87	–	(2,041,032.96)	–	(908,856.91)	–	Income
鄱陽南路睿思路 medium pressure pipeline	1,217,399.12	1,238,033.00	(119,676.50)	–	(99,042.64)	2,236,712.98	Asset
	69,854,805.01	27,328,033.00	(5,633,288.49)	–	(5,003,954.91)	86,545,594.61	

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	

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

21. Share capital

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

The investments by investor according to the articles of association of the Company are as follows:

	2018		2017	
	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)*

22. Capital reserve

2018 and 2017

	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 of RMB0.10 each) and converted 15,460,000 Domestic Shares into H Shares by way of placing of new shares on the 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 satisfy 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)*

23. Specialised reserve

2018

	Opening balance	Increase	Decrease	Closing balance
Safety production funds	–	1,317,309.05	–	1,317,309.05

Pursuant to《企業安全生產費用提取和使用管理辦法》, the Group is required to provide safety production funds based on 1.5% revenue of sales of piped gas and gas transportation of last year. These funds were used for repair, maintenance and installing safety facilities. The increase of this year refers to the difference between the amount provided according to relevant laws and the amount utilised during the year.

24. Surplus reserve

2018

	Opening balance	Increase	Decrease	Closing balance
Reserve fund	80,781,511.31	3,867,315.89	–	84,648,827.20
Enterprise expansion fund	34,972,233.51	1,933,657.95	–	36,905,891.46
	115,753,744.82	5,800,973.84	–	121,554,718.66

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

Pursuant to resolutions of the board of directors, the Company appropriated reserve fund and enterprise expansion fund at 10% and 5% of the net profit of the Group.

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

25. Retained earnings

	2018	2017
Retained earnings at the beginning of the year	**659,620,982.39**	625,276,444.20
Net profit attributable to shareholders of the Parent	**39,720,652.39**	40,073,261.21
Less: Appropriation to reserve fund (note 1)	**3,867,315.89**	3,695,950.33
Enterprise expansion fund (note 1)	**1,933,657.95**	1,847,975.17
Employee bonus and welfare fund (note 1)	**–**	184,797.52
Dividend payable on ordinary shares in cash (note 2)	**31,268,232.60**	–
Retained earnings at the end of the year	**662,272,428.34**	659,620,982.39

Note 1: In 2018, pursuant to a resolution of the board of directors, the Company appropriated reserve fund and enterprise expansion fund at 10% and 5% of the net profit of the Group. In 2017, pursuant to a resolution of the board of directors, the Company appropriated employee bonus and welfare fund, reserve fund and enterprise expansion fund at 0.5%, 10% and 5% of the net profit of the Group.

Note 2: Pursuant to the shareholders' meeting held on 26 June 2018, a dividend of RMB0.017 was paid to all shareholders on each of the 1,839,307,800 shares in issue, amounting to cash dividends of RMB31,268,232.60 in total.

26. Revenue and cost of sales

	2018		2017	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Principal operations	**1,519,525,521.08**	**1,483,518,754.04**	1,469,163,857.24	1,400,787,518.28
	1,519,525,521.08	**1,483,518,754.04**	1,469,163,857.24	1,400,787,518.28

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

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

Revenue is stated as follows:

	2018	2017
Sales of piped gas	**1,406,548,565.09**	1,324,193,081.15
Gas connection income	**89,764,193.35**	122,127,257.74
Gas transportation and rent income	**9,413,283.10**	10,767,404.56
Sales of gas appliances and others	**13,799,479.54**	12,076,113.79
	1,519,525,521.08	1,469,163,857.24

For details of the reporting segment information, please refer to Note XII.1. Segment reporting.

Decomposition of revenue:

	2018
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	**1,406,548,565.09**
Sales of gas appliances and others	**13,799,479.54**
Revenue recognised over time	
Gas connection income	**89,764,193.35**
Gas transportation and rent income	**9,413,283.10**
	1,519,525,521.08

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

27. Taxes and surcharges

	2018	2017
Business tax	**45,819.29**	1,225,332.66
City maintenance and construction tax	**242,667.79**	2,016,329.65
Education supplementary tax	**139,423.45**	1,438,851.30
Tenure tax	**473,207.19**	457,318.99
Vehicle use tax	**21,507.15**	24,141.67
Stamp duty	**312,733.09**	292,311.46
Property tax	**376,455.37**	391,118.65
Flood prevention surcharge	**49,062.47**	288,550.49
	1,660,875.80	6,133,954.87

28. Administrative expenses

Administrative expenses for the year 2018 included auditors' remuneration of RMB950,000.00 (2017: RMB900,000.00).

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

29. Finance costs

	2018	2017
Interest income	**(18,701,463.11)**	(15,780,791.93)
Foreign exchange differences	**422,982.35**	–
Others	**317,621.62**	420,204.61
	(17,960,859.14)	(15,360,587.32)

All the interest income of the Group is generated from current deposits, time deposits and certificates of deposit.

30. Asset impairment losses

	2018	2017
Bad debt loss (Only applicable for 2017)	**–**	5,356,573.87
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

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

31. Credit impairment losses (Only applicable for 2018)

	2018	2017
Bad debt loss of bills receivable and trade receivables	**485,447.41**	–
Bad debt loss of other receivables	**(69,000.00)**	–
	416,447.41	–

32. Other income

	2018	2017
Government grants related to daily operation	**15,103,303.00**	6,195,937.76
	15,103,303.00	6,195,937.76

Government grants related to daily operation:

	2018	2017	Relevant to asset/income
Tax refund (note 1)	**9,256,599.38**	1,451,975.85	Income
Deferred income (note 2)	**5,633,288.49**	4,743,961.91	Asset/income
Others	**213,415.13**	–	Income
	15,103,303.00	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 preferential treatment from 1 April 2012 to 31 March 2022. The Group recognised the refund of CIT, IIT and VAT actually received according to the government preferential policy of RMB9,256,599.38 (2017: RMB1,451,975.85).

Note 2: The deferred income represented government grants related to the Group's daily operation and pipeline reconstruction projects. Please refer to Note V.20.

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

33. Investment income

	2018	2017
Income from long-term equity investments under the equity method	**1,081,141.28**	2,439,519.37
Income from wealth management products and structured deposits	**14,363,561.64**	12,944,657.55
	15,444,702.92	15,384,176.92

34. Non-operating income

	2018	2017
Government grants not related to daily operation	**–**	37,000.00
Others	**142,720.06**	1,000.00
	142,720.06	38,000.00

35. Non-operating expenses

	2018	2017
Losses on scrap of non-current assets	**64,561.50**	2,627,762.99
Others	**659.18**	1,913,252.17
	65,220.68	4,541,015.16

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

36. Expenses by nature

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

	2018	2017
Cost of piped gas purchased	**1,241,560,870.04**	1,150,048,540.78
Cost of gas connection services	**42,301,368.54**	49,073,357.63
Cost of gas meters	**9,424,298.91**	8,014,000.04
Employee benefits	**128,483,814.32**	124,738,336.38
Depreciation and amortisation	**52,137,035.63**	54,770,619.10
Maintenance expenses	**20,024,407.28**	23,016,885.78
Agency fees	**7,743,592.35**	5,291,137.49
Transportation expenses	**2,187,975.18**	1,558,452.61
Rental	**33,600.00**	9,600.00
Others	**8,922,350.77**	12,821,743.23
	1,512,819,313.02	1,429,342,673.04

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

37. Income tax expense

	2018	2017
Current income tax expense	**19,250,927.90**	21,283,392.95
Deferred tax expense	**(5,486,179.10)**	(7,474,909.28)
	13,764,748.80	13,808,483.67

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

	2018	2017
Total profit	**53,215,249.29**	52,481,642.62
Income tax expense at the statutory or applicable tax rate (note 1)	**13,303,812.33**	13,120,410.65
Income not subject to tax	**(270,285.32)**	(609,879.84)
Expenses not deductible for tax	**319,315.32**	13,583.56
Adjustments in respect of current tax of previous periods	**23,557.62**	917.62
Deductible temporary differences and tax losses not recognised	**388,348.85**	1,283,451.68
Tax expense at the Group's effective tax rate	**13,764,748.80**	13,808,483.67

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)*

38. Earnings per share

	2018 **RMB/Share**	2017 RMB/Share
Basic earnings per share continuing operations	**0.02**	0.02
Diluted earnings per share continuing operations	**0.02**	0.02

The calculation of basic earnings per share is based on the net profit for the period 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 the specific terms of the issue contract and calculated from the date of consideration receivable (normally the stock issue date).

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

	2018	2017
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	**39,720,652.39**	40,073,261.21
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)*

39. Supplementary information to the statement of cash flows

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

	2018	2017
Net profit	**39,450,500.49**	38,673,158.95
Add: Credit impairment losses	**416,447.41**	–
Asset impairment losses	**–**	13,643,273.55
Depreciation of fixed assets	**51,762,995.06**	53,143,542.56
Amortisation of intangible assets	**374,040.57**	1,627,076.54
Increase/(decrease) in provisions	**(166,475.48)**	1,779,195.48
Increase in deferred income	**21,694,744.51**	17,041,826.49
Losses on scrap of fixed assets	**64,561.50**	2,627,762.99
Finance costs	**(15,213,434.51)**	(15,267,556.13)
Investment income	**(15,444,702.92)**	(15,384,176.92)
Increase in deferred tax assets	**(5,486,179.10)**	(7,474,909.28)
Decrease in inventories	**498,714.76**	811,758.90
(Increase)/decrease in operating receivables	**135,987,588.34**	(176,981,849.34)
Increase/(decrease) in operating payables	**(18,337,430.92)**	41,316,877.07
Increase in specialised reserve and others	**1,238,089.11**	–
Net cash flows from/(used in) operating activities	**196,839,458.82**	(44,444,019.14)

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

39. 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:

	2018	2017
Closing balance of cash	**511,286,336.89**	286,395,411.22
Less: Opening balance of cash	**286,395,411.22**	742,041,438.93
Net increase/(decrease) in cash and cash equivalents	**224,890,925.67**	(455,646,027.71)

(2) Cash and cash equivalents

	2018	2017
Cash	**511,286,336.89**	286,395,411.22
Including: Cash on hand	**17,545.34**	13,478.65
Bank deposits on demand	**511,268,791.55**	286,381,932.57

VI. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Details of the 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	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	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	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	Guizhou	Mining business	5,000,000.00	70%	70%

2. Interests in an associate

	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	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 associate of the Group, engages in the same industry with the Group. The Group adopted the 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 an associate *(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:

	2018	2017
Current assets	**133,925,698.20**	133,308,682.42
Non-current assets	**298,960,969.61**	306,640,787.77
Total assets	**432,886,667.81**	439,949,470.19
Current liabilities	**174,674,581.34**	174,919,629.03
Non-current liabilities	**120,404,451.60**	127,103,926.95
Total liabilities	**295,079,032.94**	302,023,555.98
Net assets	**137,807,634.87**	137,925,914.21
Net assets portion based on shareholding	**42,098,630.13**	42,135,156.11
Adjustment	**3,597,233.35**	3,597,233.35
Carrying amount of investment	**45,695,863.48**	45,732,389.46

	2018	2017
Revenue	**164,337,085.25**	173,645,219.71
Income tax expense	**2,038,140.44**	3,584,789.41
Net profit	**3,538,923.99**	7,985,333.45
Other comprehensive income	**–**	–
Total comprehensive income	**3,538,923.99**	7,985,333.45
Dividends received	**1,196,887.20**	2,119,990.21

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:

2018

Financial assets

	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total
Cash and bank balances	–	662,221,710.66	662,221,710.66
Held-for-trading financial assets	606,575,890.41	–	606,575,890.41
Bills receivable and trade receivables	–	280,005,554.44	280,005,554.44
Other receivables	–	5,191,859.67	5,191,859.67
	606,575,890.41	947,419,124.77	1,553,995,015.18

Financial liabilities

	Financial liabilities measured at amortised cost	Total
Bills payable and trade payables	349,393,394.75	349,393,394.75
Other payables	43,107,692.71	43,107,692.71
	392,501,087.46	392,501,087.46

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

1. Classification of financial instruments *(continued)*

2017

Financial assets

	Loans and receivables	Total
Cash and bank balances	487,228,014.40	487,228,014.40
Bills receivable and trade receivables	382,565,865.83	382,565,865.83
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
Bills payable and trade payables	305,598,160.10	305,598,160.10
Other payables	23,163,380.47	23,163,380.47
	328,761,540.57	328,761,540.57

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

2. Risks arising from financial instruments

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk (including interest rate risk). The Group's principal financial instruments comprise cash and bank balances, held-for-trading financial assets, bills receivable and trade receivables and bills payable and trade payables. In this regard, risks arising from financial instruments and the Group's risk management policies which aims at mitigation of these risks are outlined below.

The board of directors is responsible for planning and establishing the Group's risk management framework, developing the Group's risk management policies and related guidelines and overseeing the implementation of risk management measures. The Group has developed risk management policies to identify and analyse the risks faced by the Group. These risk management policies define specific risks which cover many aspects such as market risk, credit risk and liquidity risk management. The Group evaluates the market environment and changes in the Group's operations to determine whether or not to update the risk management policies and systems on a regular basis.

The Group uses appropriate diversification and portfolio to diversify the risk of financial instruments and reduce the risk of focusing on any single industry, specific region or specific counterparty by developing appropriate risk management policies.

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.

Since the Group trades with creditworthy and high credit rating banks, the related credit risk of cash and bank balances, structured deposits and bank acceptance bills receivable is rather low.

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

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

Credit risk *(continued)*

The credit risk of other financial assets, which comprise trade receivables, commercial acceptance bills and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group sold goods to customers under standard credit terms, and the disclosure of its maximum credit exposure to receivables is shown in the table below:

	2018	2017
Carrying amount of bills receivable and trade receivables	**295,762,406.87**	397,837,270.85
Less: Provision for bad debts	**(15,756,852.43)**	(15,271,405.02)
Book value	**280,005,554.44**	382,565,865.83

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 2018, the Group had certain concentrations of credit risk as 18% (31 December 2017: 37%) and 58% (31 December 2017: 66%) 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 trade receivables.

2018

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Company, the external credit rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

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

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

Credit risk *(continued)*

2018 *(continued)*

Criteria for judging significant increases in credit risk (continued)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met:

- Quantitative criteria are mainly that the increase in remaining lifetime probability of default at the reporting date is considered to be significant comparing with the one at initial recognition;

- Qualitative criteria are the significant adverse change in debtor's operation or financial status, the watch-list, etc.

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or debtor;

- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;

- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;

- The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

Credit risk *(continued)*

2018 *(continued)*

Definition of credit-impaired financial asset (continued)

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of expected credit loss measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with expected credit losses of 12 months or the entire lifetime respectively. The key measuring parameters of expected credit losses include probability of default, loss given default and exposure at default. The Group takes into account the quantitative analysis of historical statistics (such as counterparty rating, manners of guarantees and types of collateral, repayments, etc.) and forward-looking information.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of expected credit losses both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and expected credit losses.

The impact of these economic indicators on the probability of default and the loss given default varies according to different types of business.

As at 31 December 2018, the Group used the expected credit loss rate in making provision for bad debts of receivables according to expected credit losses over of 12 months and entire lifetime. Please refer to Note V.3 Bills receivable and trade receivables and Note V.5 Other receivables.

The above-mentioned expected average loss rate is based on historical actual bad debt rate and takes current conditions and forecasts of future economic conditions into consideration. From 1 January 2018 to 31 December 2018, the Group's assessment methods and major assumptions have not changed.

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

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

Credit risk *(continued)*

2017

As at 31 December 2017, the maturity profile of the Group's financial assets with no impairment incurred is analysed as follows:

		Neither overdue	Overdue but not impaired		
	Total	nor 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 and trade receivables	382,565,865.83	369,645,457.39	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	–	–	–

As at 31 December 2017, the Group's trade receivables that were neither overdue nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Based on past experience, the Group's trade receivables that were overdue but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the Group was 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.

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 needs 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:

2018

	On demand	Within 3 months	3 months to 1 year	Total
Bills payable and trade payables	–	349,393,394.75	–	349,393,394.75
Other payables	33,033,252.31	10,074,440.40	–	43,107,692.71
	33,033,252.31	359,467,835.15	–	392,501,087.46

2017

	On demand	Within 3 months	3 months to 1 year	Total
Bills payable and trade payables	–	305,598,160.10	–	305,598,160.10
Other payables	10,974,939.71	12,188,440.76	–	23,163,380.47
	10,974,939.71	317,786,600.86	–	328,761,540.57

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 the Group are mainly current deposits and fixed deposits with terms over 3 months, the Group is not exposed to any significant interest rate risk.

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 of 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 a gearing ratio.

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

	2018	2017
Gearing ratio	**30%**	29%

VIII.FAIR VALUE

1. Assets and liabilities measured at fair value

2018

	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
Held-for-trading financial assets	–	606,575,890.41	–	606,575,890.41

2. Fair value evaluation

Management has assessed cash and bank balances, bills receivable and trade receivables, other receivables, bills payable and trade payables and other payables, etc. and considers that their fair values approximate to 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	Development, utilisation and marketing of natural gas, coal gas and liquefied gas	1.337 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. Associate

For details of the associate, please refer to Note VI.2. Interests in an associate.

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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
天津市津能投資有限公司	A subsidiary of the controlling shareholder

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

	2018	2017
津燃華潤燃氣有限公司	**1,229,894,010.49**	1,145,168,857.98

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 transportation and rent services provided to related parties

	2018	2017
天津濱海燃氣集團有限公司	**5,438,165.43**	5,405,405.40
津燃華潤燃氣有限公司	**3,975,117.67**	5,361,999.16
	9,413,283.10	10,767,404.56

Sales of gas to related parties

	2018	2017
天津泰華燃氣有限公司	**178,992,169.78**	176,308,845.21
天津市熱力有限公司	**553,635.78**	562,067.50
天津濱海中油燃氣有限責任公司	**213,137.26**	108,476.79
天津市津能投資有限公司	**27,593.25**	–
天津市液化氣工程有限公司	**4,011.92**	5,941.33
	179,790,547.99	176,985,330.83

Gas connection services provided to a related party

	2018	2017
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 meter installation services received from related parties

	2018	2017
Gas connection services received		
天津市益銷燃氣工程發展有限公司	**2,532,423.19**	1,496,656.92
天津市聯益燃氣配套工程有限責任公司	**1,080,548.12**	171,394.05
天津市液化氣工程有限公司	**863,487.27**	9,613,188.18
天津市眾元天然氣工程有限公司	**410,645.86**	886,297.30
	4,887,104.44	12,167,536.45
Gas meter installation services received		
天津市益銷燃氣工程發展有限公司	**6,651,810.91**	3,756,972.97

Pipeline reconstruction services received from a related party

	2018	2017
津燃華潤燃氣有限公司	**–**	253,375.62

Purchase of gas meters from a related party

	2018	2017
天津市裕民燃氣表具有限公司	**9,886,777.54**	9,018,034.21

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 a related party

	2018	2017
天津市益銷燃氣工程發展有限公司	81,132.08	81,132.08

Construction design services received from a related party

	2018	2017
天津市燃氣熱力規劃設計研究院有限公司	2,448,397.86	2,149,995.55

The terms of the above transactions were negotiated by both parties according to the market prices.

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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

(2) Remuneration of key management

	2018	2017
Remuneration of key management	**2,616,843.49**	2,403,557.02

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.

7. Amounts due from related parties

	2018	2017
Bills receivable and trade receivables		
天津泰華燃氣有限公司	**18,322,950.66**	30,465,380.86
天津濱海燃氣集團有限公司	**3,000,000.00**	10,000,000.00
津燃華潤燃氣有限公司	**22,880.00**	6,846,174.42
天津濱海中油燃氣有限責任公司	**1,225.21**	–
天津市液化氣工程有限公司	**131.86**	–
	21,347,187.73	47,311,555.28

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

7. Amounts due from related parties *(continued)*

	2018	2017
Other receivables		
津燃華潤燃氣有限公司	**2,920,372.00**	1,794,204.87

	2018	2017
Prepayments		
天津市裕民燃氣表具有限公司	**–**	5,524,588.48
天津市燃氣熱力規劃設計研究院有限公司	**–**	35,398.00
	–	5,559,986.48

8. Amounts due to related parties

	2018	2017
Bills payable and trade payables		
津燃華潤燃氣有限公司	**235,600,718.32**	197,372,496.75
天津市益銷燃氣工程發展有限公司	**15,254,420.09**	7,859,527.63
天津市液化氣工程有限公司	**6,043,046.37**	12,722,855.29
天津市裕民燃氣表具有限公司	**5,874,648.85**	3,989,644.02
天津市燃氣熱力規劃設計研究院有限公司	**3,022,078.80**	2,443,485.66
天津市眾元天然氣工程有限公司	**476,539.45**	501,447.00
天津市聯益燃氣配套工程有限責任公司	**424,741.65**	190,247.85
天津市津能工程管理有限公司	**5,805.00**	5,805.00
天津市聯寅煤氣通信技術有限責任公司	**–**	28,760.00
	266,701,998.53	225,114,269.20

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

8. Accounts due to related parties *(continued)*

	2018	2017
Advances from customers		
天津濱海中油燃氣有限責任公司	–	92,006.51

	2018	2017
Contract liabilities		
天津市熱力有限公司	**2,865,026.86**	–
天津濱海中油燃氣有限責任公司	**89,026.12**	–
天津市津能投資有限公司	**5,127.33**	–
	2,959,180.31	–

	2018	2017
Other payables		
Tianjin Gas (note 1)	**22,058,312.60**	–
津燃華潤燃氣有限公司	**1,938,797.36**	1,938,797.36
	23,997,109.96	1,938,797.36

Note 1: The balance includes RMB22,058,312.60 which was dividend distribution of 2017 according to the resolution of the shareholders' meeting in June 2018.

Amounts due from and due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

X. COMMITMENTS AND CONTINGENCIES

1. Commitments

	2018	2017
Contracted but not provided for		
Capital commitments	805,000.00	805,000.00
	805,000.00	805,000.00

XI. POST BALANCE SHEET EVENTS

On 4 January 2019, the Company and Tianjin Energy entered into the pipeline works framework agreement in respect of the provision of pipeline construction and design services by Tianjin Energy and its associated companies. Pursuant to the framework, the annual cap amounts of transaction for the 3 years from the effective date of the agreement to 31 December 2021 are RMB30 million, RMB30 million and RMB30 million, respectively.

On 8 March 2019, the Company and 津燃華潤燃氣有限公司 entered into the contract in respect of the provision of gas transportation service by the Company. Pursuant to the contract, the renewed annual cap amounts of transaction for the 3 years from 1 January 2018 to 31 December 2020 are RMB7.60 million, RMB9.12 million and RMB10.95 million, respectively.

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)*

2018

	Sales of piped gas	Gas connection	Gas transportation and rent	Sales of gas appliances and others	Total
Revenue from external customers	**1,406,548,565.09**	**89,764,193.35**	**9,413,283.10**	**13,799,479.54**	**1,519,525,521.08**
Operating profit/(loss)	**(20,288,118.76)**	**47,364,710.51**	**2,919,507.45**	**4,349,792.04**	**34,345,891.24**
Add: Other income					**15,103,303.00**
Investment income					**15,444,702.92**
Less: Credit impairment losses					**416,447.41**
Administrative expenses					**29,300,558.98**
Finance costs					**(17,960,859.14)**
Add: Non-operating income					**142,720.06**
Less: Non-operating expenses					**65,220.68**
Total profit					**53,215,249.29**

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: Other income					6,195,937.76
Investment income					15,384,176.92
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

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.26 Revenue and cost of sales.

Geographical information

All the Group's operations and non-current assets are located in Mainland China; and all of its revenue from external parties is generated from Mainland China.

Information about major customers

In 2018, the Group's operating revenue of RMB574,123,147.56 (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) (2017: RMB535,248,712.27).

2. Leases

As lessee

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payables under irrevocable leases are as follows:

	2018	2017
Within 1 year, inclusive	**44,800.00**	32,250.00
1 to 2 years, inclusive	**–**	–
	44,800.00	32,250.00

XII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Remuneration of directors, supervisors and chief executive

Remuneration of directors and chief executive for the year is disclosed as follows:

	2018	2017
Fees	**300,000.00**	300,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	**731,016.21**	425,681.54
Performance related bonuses	**218,741.00**	519,657.00
Pension scheme contributions	**121,228.74**	44,796.24
	1,070,985.95	990,134.78
	1,370,985.95	1,290,134.78

(1) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018	2017
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 was no other remuneration payable to the independent non-executive directors during the year (2017: 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

2018

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors:					
Wang Wenxia (notes 1 and 7)	–	–	–	–	–
Hou Shuangjiang (notes 1 and 6)	–	–	–	–	–
Tang Jie	50,000.00	–	–	–	50,000.00
Zhang Tianhua (notes 1 and 7)	–	–	–	–	–
Zhang Guojian (notes 1 and 2)	–	130,828.44	–	18,591.12	149,419.56
Zhao Wei (notes 4 and 9)	–	153,426.06	–	19,175.94	172,602.00
Wang Quanhong (notes 3 and 9)	–	135,048.06	–	19,175.94	154,224.00
	50,000.00	419,302.56	–	56,943.00	526,245.56
Non-executive directors:					
Wang Jin (notes 5 and 9)	–	–	–	–	–
Zhao Henghai (notes 5 and 9)	–	–	–	–	–
Hou Shuangjiang (notes 1, 6 and 9)	–	–	–	–	–
Li Dachuan (notes 1 and 7)	–	–	–	–	–
Supervisors:					
Hao Li	–	162,779.83	166,745.00	37,767.06	367,291.89
Xu Hui	50,000.00	–	–	–	50,000.00
Yang Huling	–	–	–	–	–
Feng Jinhu (note 8)	–	93,256.44	2,000.00	18,591.12	113,847.56
Liu Zhiyuan	50,000.00	–	–	–	50,000.00
You Huiyan (note 8)	–	55,677.38	49,996.00	7,927.56	113,600.94
	100,000.00	311,713.65	218,741.00	64,285.74	694,740.39
	150,000.00	731,016.21	218,741.00	121,228.74	1,220,985.95

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)*

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	–	111,921.72	143,010.00	14,932.08	269,863.80
Xu Hui	50,000.00	–	–	–	50,000.00
Yang Huling	–	–	–	–	–
Feng Jinhu	–	125,191.90	138,010.00	14,932.08	278,133.98
Liu Zhiyuan	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)*

Note 1: These directors have waived their remuneration from 1 January 2015.

Note 2: Mr. Zhang Guojian resigned as the general manager of the Company on 19 April 2018. 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. Mr. Zhang Guojian retired as an executive director of the Group on 26 June 2018.

Note 3: Mr. Wang Quanhong was appointed as an executive director of the Group on 26 June 2018. 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. Wang Quanhong, 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 4: Mr. Zhao Wei was appointed as an executive director of the Group on 26 June 2018. The emoluments disclosed above include those for services rendered by him as the party branch secretary of the Company.

Note 5: Mr. Wang Jin and Mr. Zhao Henghai were appointed as non-executive directors of the Group on 26 June 2018.

Note 6: Mr. Hou Shuangjiang retired as an executive director and was appointed as a non-executive director of the Group on 26 June 2018.

Note 7: Mr. Zhang Tianhua and Ms. Wang Wenxia retired as executive directors of the Group on 26 June 2018. Mr. Li Dachuan retired as a non-executive director of the Group on 26 June 2018.

Note 8: Mr. Feng Jinhu retired as a supervisor of the Group on 26 June 2018. On 26 June 2018, Ms. You Huiyan was appointed as a supervisor of the Group to fill the vacancy.

Note 9: These directors have waived their remuneration from 26 June 2018.

Mr. Zhao Wei, Mr. Wang Quanhong, Mr. Wang Jin, Mr. Zhao Henghai and Mr. Hou Shuangjiang waived their respective directors remunerations from 26 June 2018, save as disclosed, there was no other agreement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

There was no other payment made or benefit provided by the Group in respect of the termination of the services of directors, whether in the capacity of directors or other capacity while directors during the year.

XII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Remuneration of directors, supervisors and chief executive *(continued)*

(3) Five highest paid employees

The five highest paid employees during the year included one director and one supervisor (2017: 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 (2017: three) highest paid employees who are not a director or chief executive of the Company are as follows:

	2018	2017
Salaries, allowances and benefits in kind	**665,090.51**	416,729.00
Performance related bonuses	**701,673.00**	513,097.00
Pension scheme contributions	**126,085.14**	44,796.24
	1,492,848.65	974,622.24

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	
	2018	2017
Nil to HK$1,000,000	**3**	3

4. Comparative amounts

As further explained in Note III.28, due to the adoption of 財會[2018]15號, the accounting treatment and presentation of several items in the financial statements, as well as the amounts in the financial statements, have been revised 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 period's presentation and accounting treatment.

XIII.NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Bills receivable and trade receivables

	2018	2017
Bills receivable	**194,815,158.62**	192,759,059.65
Trade receivables	**85,190,395.82**	189,806,806.18
	280,005,554.44	382,565,865.83

Bills receivable

	2018	2017
Commercial acceptance bills	**143,200,000.00**	52,769,831.74
Bank acceptance bills	**51,615,158.62**	139,989,227.91
	194,815,158.62	192,759,059.65

XIII.NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Bills receivable and trade receivables *(continued)*

Trade receivables

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

The ageing of trade receivables is analysed below:

	2018	2017
Within 1 year	**84,475,260.94**	183,235,734.08
1 to 2 years	**2,778,067.52**	8,222,071.26
2 to 3 years	**2,501,273.51**	3,148,752.88
Over 3 years	**11,192,646.28**	10,471,652.98
	100,947,248.25	205,078,211.20
Less: Provision for bad debts of trade receivables	**15,756,852.43**	15,271,405.02
	85,190,395.82	189,806,806.18

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**
2018	15,271,405.02	2,282,226.61	(1,796,779.20)	15,756,852.43
2017	10,477,402.01	4,884,053.01	(90,050.00)	15,271,405.02

In 2018, the Company provided bad debts of RMB2,282,226.61 (2017: RMB4,884,053.01), and reversed bad debts of RMB1,796,779.20 (2017: RMB90,050.00).

XIII.NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

1. Bills receivable and trade receivables *(continued)*

Trade receivables *(continued)*

The category of trade receivables is analysed below:

	2018			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts on individual basis of expected credit losses	15,594,757.62	15.4	15,594,757.62	100.0
Provision for bad debts by credit risk characteristic group of expected credit losses	85,352,490.63	84.6	162,094.81	0.2
	100,947,248.25	100.0	15,756,852.43	15.6

The expected credit losses of trade receivables for the Group by ageing are as follows:

	2018		
	Estimated carrying amount arising from default	Expected credit loss rate	Expected credit losses
1 to 6 months	83,673,781.14	–	–
6 months to 1 year	801,479.80	5.0%	40,073.99
1 to 2 years	762,903.52	10.0%	76,290.35
2 to 3 years	–	20.0%	–
Over 3 years	114,326.17	40.0%	45,730.47
	85,352,490.63	0.2%	162,094.81

XIII.NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables

The ageing of other receivables is analysed below:

	2018	2017
Within 1 year	**5,574,931.60**	13,386,099.67
1 to 2 years	**175,600.50**	403,413.16
2 to 3 years	**403,413.16**	186,873.77
Over 3 years	**2,562,491.23**	2,375,617.46
	8,716,436.49	16,352,004.06
Less: Provision for bad debts of other receivables	**2,778,288.32**	2,847,288.32
	5,938,148.17	13,504,715.74

The provision for bad debts of other receivables made according to expected credit losses over the 12 months in 2018 is as follows:

	Stage 1 Expected credit losses over the next 12 months	**Total**
At 1 January 2018	2,847,288.32	2,847,288.32
Provision for the year	–	–
Reversal during the year	(69,000.00)	(69,000.00)
Transfer during the year	–	–
Write-off during the year	–	–
	2,778,288.32	2,778,288.32

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables *(continued)*

The movements in the provision for bad debts of other receivables in 2017 are as follows:

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

Other receivables by nature are as follows：

	2018	2017
Employees' borrowings	**818,437.76**	1,999,275.87
Subsidy	**2,920,000.00**	6,755,500.00
Deposits and others	**4,977,998.73**	7,597,228.19
	8,716,436.49	16,352,004.06

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

3. Long-term equity investments

2018

		Current year movements			Provision for impairment at the end of the year
	Opening Balance	Increase	Decrease	Closing carrying amount	
Associate					
– 天津市濱海燃氣有限公司	45,732,389.46	1,160,361.22	(1,196,887.20)	45,695,863.48	–
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)

2017

		Current year movements			Provision for impairment at the end of the year
	Opening Balance	Increase	Decrease	Closing carrying amount	
Associate					
– 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)

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:

2018

	Opening balance	Increase	Decrease	Closing balance
天津天聯投資有限公司	**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**
	20,600,000.00	**–**	**–**	**20,600,000.00**

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

XIII.NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

4. Revenue and cost of sales

	2018		2017	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Principal operations	**1,519,525,521.08**	**1,483,518,754.04**	1,469,163,857.24	1,400,787,518.28
	1,519,525,521.08	**1,483,518,754.04**	1,469,163,857.24	1,400,787,518.28

Revenue is stated as follows:

	2018	2017
Sales of piped gas	**1,406,548,565.09**	1,324,193,081.15
Gas connection income	**89,764,193.35**	122,127,257.74
Gas transportation and rent income	**9,413,283.10**	10,767,404.56
Sales of gas appliances and others	**13,799,479.54**	12,076,113.79
	1,519,525,521.08	1,469,163,857.24

Decomposition of revenue:

	2018
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	**1,406,548,565.09**
Sales of gas appliances and others	**13,799,479.54**
Revenue recognised over time	
Gas connection income	**89,764,193.35**
Gas transportation and rent income	**9,413,283.10**
	1,519,525,521.08

XIII.NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

5. Investment income

	2018	2017
Income from long-term equity investments under the equity method	**1,081,141.28**	2,439,519.37
Income from wealth management products and structured deposits	**14,363,561.64**	12,944,657.55
	15,444,702.92	15,384,176.92

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018 **RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**1,519,526**	1,469,164	1,198,149	1,322,843	1,449,386
Net profit for the year and total comprehensive income for the year	**39,451**	38,673	36,960	36,689	67,584
Net profit for the year and total comprehensive income for the year attributable to shareholders of the Parent	**39,721**	40,073	37,659	37,341	68,958

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018 **RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Current assets	**1,563,196**	1,526,099	1,403,113	1,259,113	1,172,686
Non-current assets	**930,389**	934,444	958,619	952,096	964,788
Current liabilities	**651,999**	648,413	604,081	504,906	478,856
Non-current liabilities	**86,546**	66,590	50,599	36,028	24,693
Equity attributable to shareholders of the Parent	**1,759,408**	1,749,638	1,709,749	1,672,273	1,635,271

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Time Frame

From 1 January 2018 to 31 December 2018, 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.

Explanations on Data

Historical data cited in this report is the final statistical data. In case of any discrepancies between financial data and the annual report, 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 prepared 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".

Contact Information

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ESG RESPONSIBILITIES

Responsibility Management

During its development and operation and in the pursuit of stronger management on ESG issues, Jinran Public has built various ESG related systems and forged an ESG panel which is in the charge of the Board, so as to place effective control over, inter alia, organisation and planning, index management and performance appraisal pertaining to ESG issues.

Decision-Making Body

- Established in the Board of the Company
- Making decisions and playing a leading role in ESG planning and annual report on work
- Deploying and conducting work relating to the Company's ESG
- Assigning responsibilities for ESG tasks to each functional department of the Company

Communication Body

- Established in the legal department of the Company
- Carrying out and reporting on ESG tasks
- Establishing an ESG panel which is comprised of staff from each functional department and subsidiaries
- Managing ESG related policies and systems
- Preparing the Company's annual report on the ESG
- Controlling over other ESG related issues of the Company on a centralised basis

Executive Body

- Established in each functional department and subsidiaries of the Company
- Identifying and implementing responsibilities for ESG tasks
- Complying with each rules pertaining to ESG
- Enhancing communication with stakeholders
- Assisting in collecting information on and disclosure in report about ESG, etc.
- Carrying out other work as required by the Company's ESG tasks

Communication with Stakeholders

In order to enhance the public 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 Emission reduction	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 the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange, 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

2018 Significant Topics Screening Results

Importance Degree to the Stakeholders (High)		
	Supplier management Protecting employees' rights and interests Employees' training and development	Steady gas supply Integrity and compliance Quality customer service
	Charity events in communities	Developing clean energy Safety guarantee Green operation
	Importance Degree to the Company	High

1 ADHERING TO INTEGRITY IN OPERATION, OPTIMIZING CUSTOMER SERVICE

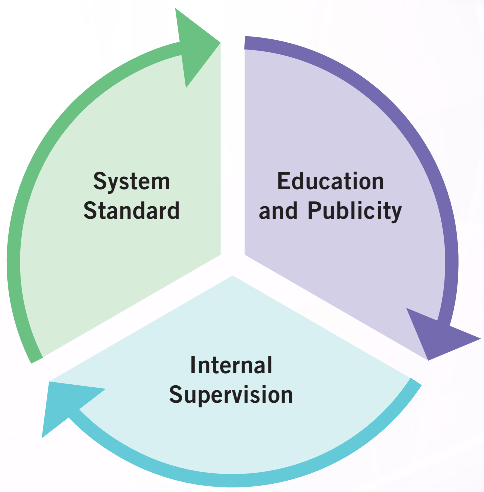
The Company strived to promote our suppliers to perform social responsibilities and to provide excellent customer service together. We keep improving the internal corporate governance to build solid fundamental for future development by keeping our commitments to suppliers, providing thoughtful service to customers and so on.

1.1 Integrity and Legal Compliance

The Company strictly complies with the all relevant laws and regulations such as Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the requirements of Listing Rules of the Hong Kong Stock Exchange as well as developed a set of well-established corporate governance structure and measures by formulating documents such as Corruption Risk Prevention, Management and Supervision System (《廉政風險防範管理監督制度》), Talks System (《談話制度》) with the standard, reasonable, transparent and efficient corporate governance principles. In 2018, the Company organised several activities for staffs for the purpose of legal publicity to strengthen the compliance governance and enhance their legal compliance awareness so as to create a cultural atmosphere of legal compliance and proper operations.

The Company has been taking anti-corruption and integrity-advocating work seriously and carrying out relevant work by focusing on three major fields, i.e. system standard, publicity and education, complaint and report system, to make it implemented thoroughly and comprehensively. There were no legal cases regarding corrupt practices in 2018.

The Company formulated rules and systems regarding to anti-corruption to incorporate the anti-corruption requirements to the major systems of the Company, which include Financial Management System, Anti-corruption, Integrity Management System, Implementation for the Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money, Equipment and Materials Management System, Measures on Supporting Costs Charging in Marketing and so on.



The Company organised staffs to watch educational alerting videos, such as Amazing China (《厲害了我的國》), Tracing the Shadow (《特別追踪》), For the Integrity and Peace in Politics (《為了政治生態的海晏河清》), which revealed our determination against anti-corruption and the importance of self-discipline and sticking to faith.

The Company stiffened the approval procedure regarding to business transaction by cooperation among departments and made following up measures on issues raised in management audit and external audit, as well as improved the daily supervision involving in business, to ensure the long-effect mechanism of "no-one-can-corrupt and no-one-dares-corrupt" in major business fields.

1.2 Stable Gas Supplying

It is the social responsibility of gas supply company to provide stable and safe gas to users. Jinran Public strictly complies with the national requirements of the Code for Design of City Gas Engineering (《城鎮燃氣設計規範》), Code for Construction of City Gas Engineering (《城鎮燃氣建設規範》), Safety Regulations for Gas (《燃氣安全條例》) and so on, and keeps improving the equipment construction of pipeline network, generalizing new techniques, equipping with new facilities to enhance its professional operation capacity, which jointly enable it to provide stable and reliable gas supply over years. The pipeline network of the Company was 2403.41 km in 2018.

Case: Stablise gas supply for two Pressure Reducing Stations

In 2018, the Company supplied gas for the Pressure Reducing Stations of Lishuang Road and Dongting Road. To guarantee the stable gas source in the region, the Company has enriched the pipeline network data monitoring methods to achieve prevention and timely warning and performed line patrol, inspections, urgent repairs, maintenance and other work in strict accordance with the Company's pipeline network management system in a bid to achieve stable gas supply for Pressure Reducing Stations of Lishuang Road and Dongting Road.

1.3 High-quality Service

Jinran Public has been fulfilling the service philosophy of providing high-quality service. Catering to the demands of customers, the Company has been improving customer service system, promoting the development of diversified service platforms, listening to customers' opinions and making communication channels accessible with a view to satisfying customers with professional, satisfactory and thoughtful service experience while striving to have customers use clean energy.

Institutional guarantee

To further improve service level and satisfaction of the general public, Jinran Public formulated Service Management System. The System defined five principles of Primary Accountability, One-off Informing, Time-limited Processing and Completion, Deferred Service and Service Appointment, requiring staff of business halls to answer the service inquiries of gas user on site, complete approval and give feedbacks within 3 working days. At the same time, to optimise service process, the Company requires customer service personnel to keep track of the service processing and have timely communications and linkage in times of any changes. At the same time, customer service personnel are required to assume whole-process responsibilities for issues first proposed and defer service if necessary to ensure customer-friendly business process and standardised customer services.

Diversified gas purchase channels

In 2018, to facilitate customers' gas purchase and further expand gas purchase channels and set up Internet-based multi-channel gas purchase, based on self-service gas purchase via ATM of Agricultural Bank of China and business outlets, the Company launched "Jin E-Life"(津E生活) mobile app for cardless remote gas purchase, and enabled the support of payment via Alipay and Official WeChat Account to provide customers with attentive services. At the same time, to protect customer's privacy, the Company separately filed customers' archives and assigned special department personnel to keep custody of archive keys.

Feedback on customers' complaints and suggestions

To make customers worry free from gas purchase, the Company set up a 24-hour maintenance and repair mechanism and detailed the management measures for handling customers' complaints, standardised the handling process for customers' complaints and unblocked channels for listening to customers' opinions and giving feedbacks. In 2018, the Company completed 100% of the timely handling of 118 customers' complaints with 100% of customers satisfied.

Handling process of customers' complaints

1.4 Suppliers Management

The Company has established sound procurement and supplier management systems and formulated the Material Purchasing Management System and Project Tender Management System. The Company further refined the Equipment and Materials Management System in 2018, which clarifying the equipment and materials procurement principles of proper price, proper quality, consistency, integrity and tender purchasing, improving the contract review process and optimizing the management methods of supplier base so as to implement the open, fair and transparent supplier management of the Company.

In 2018, the Company improved the review procedures and systems for contracts. In terms of procedures, the Company strengthened the internal decision-making procedures for business matters involved in a contract review and the compliance of substantive elements in business management to standardize project contract management and supervise the signing of project contracts; In terms of contents, the Company entrusted a professional cost advisory agency to review project cost, required relevant departments and external legal consultants to be jointly responsible for the legality of the contract terms and the prevention of legal risk, and refined the issues relating to financial risk, compliance and fund management in contract review.

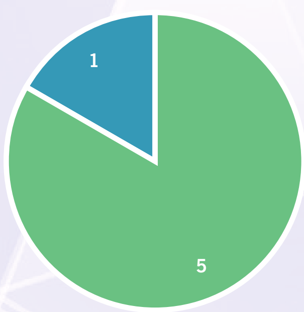


Figure 2.4.1: The distribution and number of suppliers of Jinran Public

The number of suppliers in Tianjin
The number of suppliers outside Tianjin

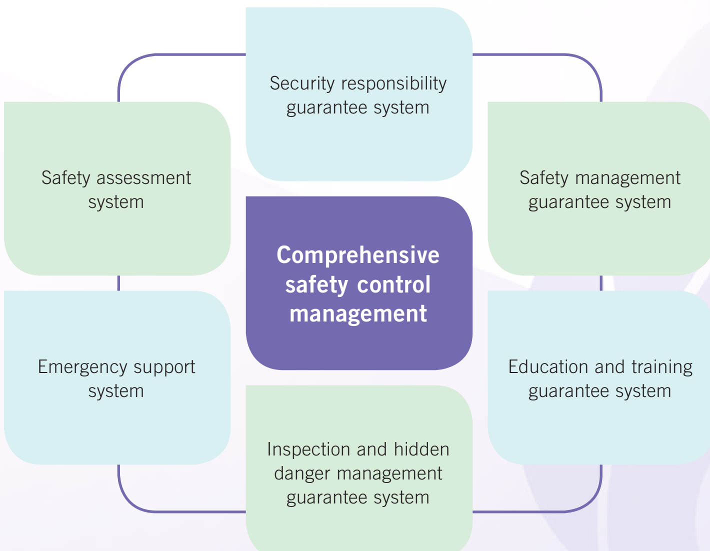
2 CONSOLIDATING SAFETY MANAGEMENT AND ENSURING GAS SAFETY

Firmly upholding the concept of safe development, Jinran Public strengthened its red line awareness and set up the "zero risk" and "zero liability accident" targets by making every effort to build a long-term mechanism for safe production, carrying out comprehensive safety inspection and potential risks investigation and management and implementing various safety measures to ensure safe and stable gas supply in all aspects.

2.1 Safety Risk Management and Control

Jinran Public strictly complied with the relevant laws and regulations such as the "Work Safety Law of the People's Republic of China" and the "Fire Protection Law of the People's Republic of China", and the relevant provisions such as the "Production Safety Regulations of Tianjin City", the "Gas Safety Management Rules of Tianjin City", the "Urban Gas Safety Management Regulations", the "Measures for Regulating the Main Responsibility of Safety Production for Production and Operation Units in Tianjin City", and the "Temporary Regulations of 'Same Accountability for CPC Committee Members and Government Officials, Dual Responsibilities for One Post' for the Safety Production of Party and Government Leading Cadres of Tianjin SASAC", to ensure its safe and stable development.

The Company earnestly implemented the safety and environmental protection requirements of the State and Tianjin, and continued to promote the construction of a safety and environmental responsibility system. In 2018, the Company revised the Safety and Environmental Protection Responsibility System to ensure that all personnel were held accountable for safety and environmental protection by signing the safety and environmental protection responsibility letters with employees, stipulating the safety and environmental protection responsibility of each post, and the all-round and whole-process supervision and management in implementing the main safety and environmental protection responsibility.



Meanwhile, the Company organised the identification of safety risk sources, established detailed accounts, dynamically updated the identified risk sources and hidden dangers, formulated corresponding rectification and safeguard measures and emergency plans, and promoted the timely rectification of hidden dangers through level-by-level supervision and accountability. In 2018, the Company organised 7 comprehensive and special drills and 7 on-site disposal drills. The Company attached importance to the inspection of the construction site, including monthly inspection, quarterly inspection and pre-holiday inspection by the competent department and safety department, fire control, electricity, internal security and anti-terrorism, vehicle, and other special inspections during important period and special rectification period to facilitate implementation, ensure that the safety and environmental protection measures on the construction site, the personnel protection the personnel education and the emergency drill is in place. In 2018, the Company organised over 200 inspections of various types throughout the year. The Company has also strengthened the safety assessment and formulated the responsibility investigation system, so as to promote the implementation of the responsibility system.

The Company strictly managed and monitored the risk sources and hidden danger sources by strengthening the detection, emergency drill, inspection and re-examination of hidden dangers at the forefront, construction and operation site, so as to avoid the occurrence of safety accidents to the maximum extent and ensure the production safety. In 2018, no industrial accident occurred in the Company.

2.2 Employee Safety Training

In combination with the actual conditions, Jinran Public has formulated and improved the Safety Education and Training System, and carried out various kinds of special safety trainings throughout 2018, including the three-level education for new employees, the certification for work, the certificates for special personnel, and construction safety training, fire control training, internal protection and anti-terrorism training, technical and business training, emergency training, first-aid personnel training, etc., which further enhanced the safety awareness of employees and enhanced their safety operation ability and emergency self-rescue skills.

The Company conducted 92 safety trainings in 2018, with a total of 2,204 people receiving safety trainings, a total duration of 318 hours (according to training times) and 6,612 hours (according to training person-times).

Training type	Training times	Trainees
Trainings for certificate bearers: special personnel training, confined operation training, etc.	2	63
Trainings for technical and special operation personnel: The Transmission and Distribution Center organised trainings on the use of new instruments such as voltage regulators, trainings for operations high above ground, first-aid personnel trainings, underground pipeline safety trainings, construction safety trainings, etc.	22	278
Fire control and security trainings: Fire control trainings, fire extinguisher use trainings, and internal protection and anti-terrorism trainings	19	440
Safety education: All-staff safety education, emergency training, risk source identification, accident prevention education, etc.	49	1,423

In order to protect the occupational health of employees, the Company has established Occupational Prohibition and Protection system and organised regular physical examination for employees every year in order to detect health problems of employees and make adjustment to positions accordingly. For those employees suffering from high blood pressure and heart diseases, they are not allowed to engage in prohibited trades. In 2018, full attendances for physical examinations of the Company has been achieved.

The Company has strengthened various safety and labour protection measures to safeguard the security of working environment. It also regularly organizes trainings on occupational diseases to enhance employees' protection awareness and prevent the occurrence of occupational diseases. Every year, the Company would spend specific funds for purchasing labour protection goods. It has established a three-level labour protection network (i.e. company-level, sub-company-level and class-level) to conduct education training and ordinary supervision and inspection on the labour protection work and the wearing of protection gears of frontline personnel. In 2018, the Company invested a total of RMB7.01 million for purchasing safety protection facilities and equipment and testing equipment, maintaining safety protection work of operational staff, etc. In addition, the Company is in strict compliance with Heat Prevention Management System and Cold Prevention Management System. In the summer, it will adopt effective heat-proof, ventilation and cooling measures against extreme heat weathers, implement shift rotation system to avoid high temperature time points, and provide cold drinks and medicines. In the winter, it will offer cold-prevention and protection goods and provide cold prevention education to frontline staff. In 2018, the Company invested RMB517,000 for heatstroke prevention, RMB1,815,000 for emergent pipeline repair works, and a total of approximately RMB9,341,000 for safety.

2.3 Guarantee Gas Use Safety

In order to regulate the safety management of the ventilation and ignition of natural gas in households, increase control over the process of dangerous operation and protect the safety and health of operational staff, the Company has formulated the Management System on the Ventilation and Ignition of Gas in Households (《用戶戶內通氣點火安全管理制度》) in order to effectively ensure the safety of the gas containing in vertical pipelines and the gas use safety in households. For residential users, the ventilation and ignition of gas in households means "immediately being done upon living in". Therefore, the vertical pipelines in households shall contain gas in advance and the ventilation and replacement involve two stages, namely, filling natural gas into vertical pipelines and the ventilation and ignition. For industrial and commercial users, the ventilation and ignition before the erection of guiding pipelines and the ventilation and ignition in households are performed by one operation only and regardless of time periods.

In the meantime, the Company strictly regulates its User Safety Inspection System (《用戶安檢管理制度》). Pursuant to its established safety inspection plan, the Company performs at least 1 indoor safety inspection every year for those users using IC card natural gas meters in its supplying areas. For those users using basic gas meters, it will check meters, charge fees and perform inspection in households every three months. Before the safety inspection, the Company will contact the relevant property management companies or neighborhood committees, post safety inspection notice in communities, and inform users to have people await at home in order to increase the efficiency of safety inspection. The Company also periodically engaged in gas use safety promotion activities in communities to promote the common knowledge on the use safety and emergency handling of gas and promote gas use safety awareness. In 2018, the Company conducted indoor safety inspections for 516,376 households, the indoor safety inspection rate was 95.02% and the coverage rate was 100%.

3 STRENGTHENING ECOLOGICAL CONSTRUCTION, PROMOTING GREEN DEVELOPMENT

Jinran Public has always been active in responding to national strategies and in strict compliance with relevant laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》). The Company focuses on improving its environmental management system, promoting green construction and enhancing resource utilisation in order to reduce the impact from its operation on the environment.

3.1 Developing Clean Energy

As the country strengthened its efforts in comprehensively controlling pollutants and further implementing the action plan on pollution control, Tianjin Jinran made active responses to national or local policies such as the Action Plan on Prevention and Control of Air Pollution (《大氣污染防治行動計劃》) and the 2018 Action Plan on Prevention and Control of Air Pollution of Beijing-Tianjin-Hebei Urban Agglomeration and its Neighboring Areas (《京津冀及周邊地區2018年大氣污染防治工作方案》) by using its own competitive strengths in the industry in the provision of clean energy to regional development. Comparing with conventional energy resources such as coal, the use of natural gas energy can cut down emissions of sulphur dioxide and dust by nearly 100%, carbon dioxide by 60% and nitrogen oxide by 50%, effectively mitigating the greenhouse effect on the earth. Moreover, since the useful life of natural gas boilers are relatively long, the direct and indirect impacts on environment from the repair of equipment can be avoided.

In 2018, in addition to guaranteeing the completeness of civil residential projects, Tianjin Jinran strived to develop "coal-to-gas" project for industrial and commercial users, competed for gas market, and renovated boilers for many industrial and commercial users, for which, works from a total of 13 industrial and commercial users are accepted, the total gas volume designed was 2,806 m^3/hour and a total of 7,737 civil users were benefited. In the future, the Company will cooperate with the government departments in complying with relevant policy requirements on eliminating and restricting the use of heavily-polluting fuel to continue its "coal-to-gas" project, actively explore the downstream market of natural gas, expand its own areas and gas-supply areas and provide clean energy to more enterprises and villagers.

Case: "Coal-to-gas" projects performed in 2 villages in Binhai New Area, Tianjin

In order to support the ecological civilization construction of the country, Tianjin Jinran took the lead in implementing the"coal-to-gas" projects. In performing the pipeline construction project of Binhai New Area, the Company overcame many difficulties such as the disorderly layout of houses in Cuizhuang and Liuzhuang along Hangu Chadian Street, severe illegal construction, narrow village roads and poor quality of domestic wall-mounted boilers, actively coordinated and communicated with street offices and village committees, and finally completed the construction successfully, bringing gas to 1,444 households and reaching a gas utilisation rate up to 80%.

3.2 Green Construction

The Company focuses on resource conservation and environmental protection during the construction process, strictly follows the Interim Measures for Environmental Protection Acceptance Upon the Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) to complete the acceptance and registration, and has formulated the Regulations on the Administration of Urban Gas Construction (《城鎮燃氣施工管理條例》) to regulate the construction process and acceptance process on gas pipelines. As the main component of natural gas is methane, a greenhouse gas, the Company has continued to put forth effort to effectively reduce methane emissions by constantly improving the construction of pipeline networks and applying advanced technical equipment, implementing the "Green Concept" throughout the construction process.

Case: Measures to reduce methane emissions during the construction process

By use of the connection without cutting gas supply technology and with special drilling equipment and perforating parts, the Company, through connecting directional drilling, safely and slowly drills a circular interface of specified size on the operating pipeline, which can be used to connect with the new pipeline and backfill holes to form a closed pipeline network during the pipeline improvement. This technology enables the Company to construct without cutting gas supply at any time during the construction process, thereby reducing the gas loss caused by the construction and preventing the occurrence of the safety hazards caused by the construction at night.

The Company's operation does not involve the production of a large amount of waste water and gas and hazardous waste, and non-hazardous waste mainly includes solid wastes produced during constructions, and does not have a material impact on the surrounding ecology. In 2018, the Company produced a total of 136,842 tons of solid wastes on operation, which were backfilled or recycled by the third parties.

3.3 Green Office

Jinran Public advocates the green office concept of low-carbon and environmental protection. It refines the management system from three aspects of office, bus and material and implements environmental protection actions for resources conservation and emissions reduction. In addition, employees are encouraged to save water, electricity and paper in daily office work to reduce the impact of office work on the environment.

Office

- The Company uses the OA online office system and sends the electronic documents for circulation as much as possible. The Company also communicates regularly with Jining Branch Office through video conferences, to reduce business travel.
- In 2018, the Company used the water-saving toilet and purchased the eco-friendly furniture when decorating the office.

Bus

- The Company strictly manages buses and comprehensively adopts the GPS positioning system. It collects statistics about the bus stop and mileage in real time through monitoring software.

Material

- To improve equipment capacity and efficiency, the Company has formulated the Material Management System (《物資管理制度》), which requires that an annual equipment and material procurement plan shall be prepared based on investment efficiency according to the equipment and material status of the Company, work requirements, financial budgets and the investment for that year, and that no over-investment or over-budget and excess purchase over the purchase plan shall be allowed, in order to reduce resource waste.

Greenhouse Gas Emissions

Scope 1	142,797.27 tons of carbon dioxide equivalent
Scope 2	2,355.83 tons of carbon dioxide equivalent
Total greenhouse gas emissions	145,153.10 tons of carbon dioxide equivalent
Greenhouse gas emissions intensity	0.95 ton of carbon dioxide equivalent/RMB10,000

Three Waste Discharges

Total waste water discharges		20,784.80 tons
General waste	Domestic garbage	0.50 ton
	Office garbage	16.15 tons
Asset retirement		4.81 tons

Energy Consumption and Water Usage

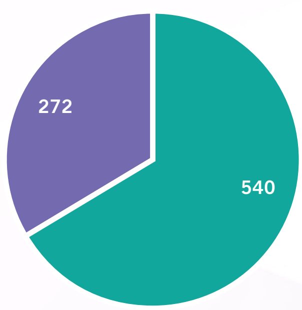
Integrated energy consumption	0.077108219 ton of standard coal
Energy consumption per RMB10,000	0.005072909 ton of standard coal/RMB10,000
Total power consumption	1,054,800 kWh
Purchased thermal power consumption	11,428.63 GJ
Natural gas usage	129,200 cubic meters
Gasoline usage	52.63 tons
Fresh water usage	25,981 tons
Total water consumption intensity	0.17 ton/RMB10,000

4 ATTACHING IMPORTANCE TO EMPLOYEE'S BENEFITS, SHOWING CONCERN FOR SOCIAL WELL-BEING

Jinran Public regards its employees as the main driving force for sustainable development, adheres to the people-oriented principle and protects the legitimate rights and interests of its employees. The Company attaches great importance to the development of its employees, provides them with a promising career development platform and spares no effort to develop its talent team. It cares about the life of employees and creates a comfortable working environment for them, with an aim to improve their work-life balance. Jinran Public is also committed to social welfare by organizing volunteer activities and cares for people's livelihood.

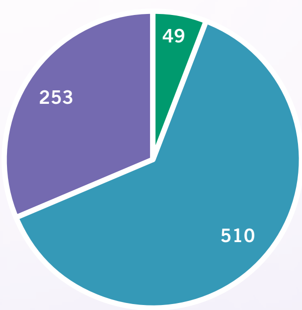
4.1 Protecting Employees' Rights and Interests

The Company strictly complies with national laws and regulations, including the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and Regulations on the Implementation of the Labor Contract Law of the People's Republic of China, and actively implements 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》). It executes labor contracts with its employees and eliminates all kinds of discrimination in terms of gender, ethnicity, religion and age, etc. in recruitment, training and promotion, etc. It prohibits child and forced labour and provides all employees with fair, impartial and transparent job opportunities. By the end of 2018, the Company had 812 employees, all of whom signed labour contracts. In 2018, the employee turnover rate was only 0.6%.



Numbers of employees by gender

- Male employees
- Female employees



Number of employees by age

- Below 30 years
- 31-50 years old
- Above 50 years old

The Company has established a comprehensive employment management system and formulated detailed rules for its compensation systems, labor welfare, rewards and punishments rules and performance appraisal. The Company strictly implements rules such as the Performance Appraisal Management System (《績效考核管理制度》) and is dedicated to establish a team who is detail-oriented, innovative and practical with high performance, so as to ensure the sound operation of the organization and continuously improve the performance of the Company and its employees. In 2018, the Company further standardised its performance appraisal management by formulating the Methods for Appraising the General Departmental Managers (《部門一般管理人員考核辦法》) and the Methods for Appraising the Middle Management (《中層管理人員考核辦法》) and linking the annual appraisal results of the employees with their annual bonuses directly, which significantly motivated the employees to improve their work efficiency and facilitated the development of the talent team of the Company.

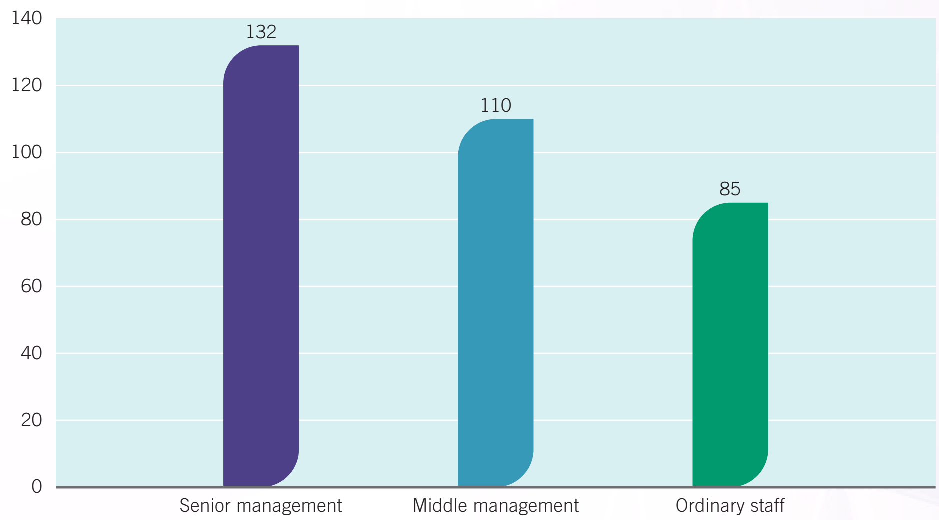
In addition to remaining democratic in communication and management, the Company develops an improves the rules such as the Rules on Meetings for Employee Representatives (《職工代表大會制度》) and the Rules on Democratic Management of Labour Union (《工會民主管理制度》), with a view to protect the rights to information and rights of participation and supervision of its employees, encourage them to engage in the discussion of company policies and enhance the democratic management of the Company. In 2018, the Company held meetings for employee representatives to collect feedbacks and opinions from its employees, with 8 proposals received in total.

4.2 Employees' Training and Development

Jinran Public constantly improves occupational development path for employees to realize the common growth, common progress and common development of both employees and the Company. The Company continuously optimizes its promotion mechanism, improves its Position Competition System (《競聘上崗制度》), removes the barriers for transfer-position from technical post to management post, standardizes the talent selection process, and conduct a comprehensive inspection of employees through democratic appraisal, talent assessment, written test and interview, so as to ensure the fairness and openness of employee promotion.

The Company puts emphasis on training work, strictly implements the Staff Training and Management System (《員工培訓管理制度》), and continuously improves the training system, pursues innovation in training forms and strengthens training statistics management according to employee post requirements and personal career development intention. 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 management competency. In 2018, the Company had 997 employees attending trainings and the training coverage rate reached 100%.

Average training hours for different level of staffs



4.3 Care for Staff

Jinran Public recognizes the importance of maintaining a balance between work and life for our employees and is committed to creating a harmonious working and living environment for employees and helping them to get through the difficulties encountered in work and daily life. The Company also strives to enrich our employees' life and make our employees feel the care and warmth from our Company by organizing badminton competitions, table tennis competitions and other cultural and sports activities, film-watching activity, birthday parties and distributing holiday benefits. The Company also regularly organizes all employees to participate in physical examinations to maintain their health. In 2018, the social insurance coverage rate of the Company was 100%.

At the same time, the Company practically safeguards the legitimate interests of female employees, proactively organizes activities such as quiz on female employees' right and benefit and skipping game on the Women's Day, sets up women-only work lounge, provides special care to the pregnant or breast-feeding female employees, reserves dedicated refrigerator area for female employees. In 2018, the Company also organised and implemented a special health insurance plan for female employees to build a barrier of resisting major disease risks for them.

In addition, the Company thoroughly implements the decision-making arrangements of the Central Government to "strengthen the implementation of targeted assistance" and the requirements of the municipal General Labor Union to intensify the efforts in inclusive service, practically carries out the work of providing assistance to the employees in need thorough formulating the Measures for Providing Support to Employees (《困難職工幫扶制度》) and providing assistance and legal assistance to employees in difficulty and paying visit on a regular basis. In 2018, the Company refined the standards for providing assistance to employees in difficulty, according to the level of condolences provided to employees would be classified according to the severity of the disease. In 2018, the Company assisted 15 employees in difficulties and granted subsidy totaling to RMB13,600.

4.4 Community Interest

Jinran Public has been actively practicing social responsibilities, by capitalizing the business and resource strengths of the Company to carry out routine “Learning from Leifeng” volunteer service activities. In 2018, the Company rolled out a series of campaigns with theme of “Educating Safe Use of Gas to Community with Intimate Service (開展燃氣安全進社區，貼心服務零距離)”, to popularize the knowledge of safe use of gas for users, and further enhance the awareness of users to use gas safely and legally, with the aim of preventing and reducing the occurrence of accidents, and ensuring the safety of citizens’ lives, property and public safety.

The Company also carried out poverty alleviation activities of “Safeguarding, Promoting Harmony Environment for Gas Usage (保安全促和諧、共建良好用氣環境)”, focusing on the elderly living alone, special households and campus within the community. In connecting with the reality of gas services, the Company organised promotion activities on safe use of gas and released relevant materials. The Company’s security inspectors used advanced laser gas telemeter to provide voluntary safety services at the home of elderly users with mobility difficulties and at Shanghai Road Primary School (上海道小學) and No.2 Xinhua Middle School (第二新華中學) in Quanyun Village (全運村).

Case: Jinran Public widely carried out voluntary gas supply service activities of “Sharing for the Dragon Boat Festival（情暖端午 愛心傳遞）”

At the eve of the Dragon Boat Festival in 2018, the Hexi branch of Jinran Public carried out a campaign of “Sharing for the Dragon Boat Festival” in a park near by the Rulinyuan Community（儒林園）to popularize the knowledge of safe use of gas. Through the placing of display boards, hanging labels and distributing common sense materials on safe use of gas, 12 employees of the Hexi branch provided various safety knowledge to the residents, concerning, among others, daily use of gas, regular maintenance of gas appliances, how to use gas water heater and gas cooker correctly, gas leakage inspection, and how to deal with gas leakage. The campaign was joined by more than 200 people, and more than 200 safety publicity materials and bags were distributed. Combining with the “Safety Production Month（安全生產月）” and the service reform of “Running at Most Once（最多跑一次）” in 2018, the Company had further standardised residents' gas operation skills, enabling them to more intuitively understand the importance of gas safety.