



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

Interim Report
2019

The board (the “Board”) of directors (the “Directors”) of Tianjin Jinran Public Utilities Company Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (the “Period”) together with unaudited comparative figures for the last corresponding period as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

Renminbi Yuan

	Note V	30 June 2019 (Unaudited)	31 December 2018 (Audited/ Restated)
ASSETS			
CURRENT ASSETS			
Cash and bank balances	1	1,121,007,028.29	662,221,710.66
Held-for-trading financial assets	2	404,237,534.25	606,575,890.41
Bills receivable	3	170,697,119.24	194,815,158.62
Trade receivables	4	225,798,556.27	85,190,395.82
Prepayments	5	4,192,895.56	1,264,754.10
Other receivables	6	5,298,804.31	5,191,859.67
Inventories	7	2,316,667.32	2,135,759.24
Other current assets	8	15,967,134.50	5,800,254.04
Total current assets		1,949,515,739.74	1,563,195,782.56
NON-CURRENT ASSETS			
Long-term equity investments	9	48,684,177.66	45,695,863.48
Fixed assets	10	816,820,222.15	839,676,408.47
Construction in progress	11	3,926,065.93	3,926,065.93
Intangible assets	12	11,548,651.33	11,735,671.62
Deferred tax assets	13	28,301,470.14	29,354,862.88
Total non-current assets		909,280,587.21	930,388,872.38
TOTAL ASSETS		2,858,796,326.95	2,493,584,654.94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2019

Renminbi Yuan

	Note V	30 June 2019 (Unaudited)	31 December 2018 (Audited/ Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables	16	784,561,883.99	349,393,394.75
Contract liabilities	17	164,217,610.22	195,796,913.70
Employee benefits payable	18	4,199,472.56	16,832,231.28
Taxes payable	19	30,792,023.80	40,252,589.68
Other payables		22,755,366.59	43,107,692.71
Provisions		-	1,612,720.00
Total current liabilities		1,006,526,357.16	646,995,542.12
NON-CURRENT LIABILITIES			
Deferred income	20	89,146,949.01	91,549,549.52
Total non-current liabilities		89,146,949.01	91,549,549.52
Total liabilities		1,095,673,306.17	738,545,091.64

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2019

Renminbi Yuan

	Note V	30 June 2019 (Unaudited)	31 December 2018 (Audited/ Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY			
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	7,629,085.26	1,317,309.05
Surplus reserve	24	127,472,293.73	121,554,718.66
Retained earnings	25	658,350,908.99	662,272,428.34
Total equity attributable to shareholders of the Parent		1,767,715,420.16	1,759,407,588.23
Non-controlling interests		(4,592,399.38)	(4,368,024.93)
Total shareholders' equity		1,763,123,020.78	1,755,039,563.30
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,858,796,326.95	2,493,584,654.94

The financial statements are signed by the following persons:

Legal Representative:
Zhao Wei

Chief Financial Officer:
Wang Quanhong

Head of Accounting Department:
An Li

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

Renminbi Yuan

	Note V	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Revenue	26	778,935,036.73	760,337,070.47
Less: Cost of sales	26	788,412,984.58	740,074,390.05
Taxes and surcharges	27	2,208,163.41	699,376.13
Administrative expenses		14,319,277.76	11,364,823.74
Finance costs	28	(10,047,216.62)	(9,615,552.56)
including: interest income		10,275,884.26	9,811,186.72
Add: Other income	29	6,521,897.13	5,440,720.13
Investment income	30	12,958,082.10	6,858,807.75
including: share of profit of an associate		3,372,876.62	596,615.98
Credit impairment losses	31	198,250.41	–
Operating profit		3,720,057.24	30,113,560.99
Add: Non-operating income	32	11,046.34	–
Less: Non-operating expenses	33	181,548.35	65,161.50
Total profit		3,549,555.23	30,048,399.49
Less: Income tax expense	35	1,777,873.96	7,531,564.97
Net profit		1,771,681.27	22,516,834.52
Classified by continuity of operations			
Profit from continuing operations		1,771,681.27	22,516,834.52
Classified by ownership			
Profit attributable to shareholders of the Parent		1,996,055.72	22,646,527.12
Profit attributable to non-controlling interests		(224,374.45)	(129,692.60)
Other comprehensive income, net of tax		–	–
Total comprehensive income		1,771,681.27	22,516,834.52
Including:			
Total comprehensive income attributable to shareholders of the Parent		1,996,055.72	22,646,527.12
Total comprehensive income attributable to non-controlling interests		(224,374.45)	(129,692.60)
Earnings per share (RMB/Share)	36		
Basic		0.001	0.012
Diluted		0.001	0.012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Renminbi Yuan

For the six months ended 30 June 2019

	Attributable to shareholders of the Parent					Sub-total	Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Specialised reserve Note 1	Surplus reserve	Retained earnings			
I. At beginning of the period (Audited)	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
II. Movements during the period								
(i) Total comprehensive income	-	-	-	-	1,996,055.72	1,996,055.72	(224,374.45)	1,771,681.27
(ii) Profit appropriation								
1. Transfer to surplus reserve	-	-	-	5,917,575.07	(5,917,575.07)	-	-	-
(iii) Specialised reserve								
1. Appropriation for the period	-	-	6,311,776.21	-	-	6,311,776.21	-	6,311,776.21
III. Closing balance (Unaudited)	183,930,780.00	790,332,352.18	7,629,085.26	127,472,293.73	658,350,908.99	1,767,715,420.16	(4,592,399.38)	1,763,123,020.78

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 period refers to the difference between the amount provided according to relevant laws and the amount utilised during the period.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

For the six months ended 30 June 2018

	Attributable to shareholders of the Parent					Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Sub-total		
I. At beginning of the period (Audited)	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 period							
(i) Total comprehensive income	-	-	-	22,646,527.12	22,646,527.12	(129,692.60)	22,516,834.52
(ii) Profit appropriation							
1. Distribution to shareholders	-	-	-	(31,268,232.60)	(31,268,232.60)	-	(31,268,232.60)
III. Closing balance (Unaudited)	183,930,780.00	790,332,352.18	115,753,744.82	650,999,276.91	1,741,016,153.91	(4,227,565.63)	1,736,788,588.28

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

Renminbi Yuan

	Note V	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		708,055,816.78	684,131,366.49
Refunds of taxes		1,630,040.62	3,201,239.25
Cash received relating to other operating activities		10,180,285.38	319,055.42
Sub-total of cash inflows from operating activities		719,866,142.78	687,651,661.16
Cash paid for goods and services		340,526,980.09	514,350,814.40
Cash paid to and on behalf of employees		69,083,266.02	66,581,161.02
Cash paid for all types of taxes		27,131,239.85	29,973,211.93
Cash paid relating to other operating activities		13,127,485.43	17,223,730.10
Sub-total of cash outflows from operating activities		449,868,971.39	628,128,917.45
Net cash flows from operating activities	37	269,997,171.39	59,522,743.71

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

Note V	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
2. Cash flows from investing activities		
Cash received from redemption of investments	750,000,000.00	800,000,000.00
Cash received from income on investments	14,711,791.63	16,037,884.73
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,580.00	1,690.00
Cash received relating to other investing activities	-	6,755,500.00
Sub-total of cash inflows from investing activities	764,713,371.63	822,795,074.73
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets	3,868,331.98	7,553,126.00
Cash paid for acquisition of investments	600,000,000.00	796,500,000.00
Sub-total of cash outflows from investing activities	603,868,331.98	804,053,126.00
Net cash flows from investing activities	160,845,039.65	18,741,948.73

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

	Note V	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
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		22,058,312.60	-
Sub-total of cash outflows from financing activities		22,058,312.60	-
Net cash flows used in financing activities		(22,058,312.60)	-
4. Effect of foreign exchange rate changes on cash and cash equivalents		-	-
5. Net increase in cash and cash equivalents		408,783,898.44	78,264,692.44
Add: Cash and cash equivalents at beginning of the period		511,286,336.89	286,395,411.22
6. Cash and cash equivalents at end of the period	37	920,070,235.33	364,660,103.66

STATEMENT OF FINANCIAL POSITION

30 June 2019

Renminbi Yuan

	Note XIII	30 June 2019 (Unaudited)	31 December 2018 (Audited/ Restated)
ASSETS			
CURRENT ASSETS			
Cash and bank balances		1,119,976,295.08	661,161,639.66
Held-for-trading financial assets		404,237,534.25	606,575,890.41
Bills receivable		170,697,119.24	194,815,158.62
Trade receivables	1	225,798,556.27	85,190,395.82
Prepayments		4,096,095.31	1,211,303.85
Other receivables	2	6,951,155.31	5,938,148.17
Inventories		2,316,667.32	2,135,759.24
Other current assets		15,967,134.50	5,800,254.04
Total current assets		1,950,040,557.28	1,562,828,549.81
NON-CURRENT ASSETS			
Long-term equity investments	3	48,684,177.66	45,695,863.48
Fixed assets		816,820,222.15	839,676,408.47
Construction in progress		3,926,065.93	3,926,065.93
Intangible assets		11,548,651.33	11,735,671.62
Deferred tax assets		33,301,470.14	34,354,862.88
Total non-current assets		914,280,587.21	935,388,872.38
TOTAL ASSETS		2,864,321,144.49	2,498,217,422.19

STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2019

Renminbi Yuan

	30 June 2019	31 December 2018
Note XIII	(Unaudited)	(Audited/ Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade payables	784,515,883.99	349,347,394.75
Contract liabilities	164,217,610.22	195,796,913.70
Employee benefits payable	4,199,181.10	16,831,939.82
Taxes payable	30,792,264.11	40,251,789.99
Other payables	20,094,471.59	40,446,824.71
Provisions	-	1,612,720.00
Total current liabilities	1,003,819,411.01	644,287,582.97
NON-CURRENT LIABILITIES		
Deferred income	89,146,949.01	91,549,549.52
Total non-current liabilities	89,146,949.01	91,549,549.52
Total liabilities	1,092,966,360.02	735,837,132.49
SHAREHOLDERS' EQUITY		
Share capital	183,930,780.00	183,930,780.00
Capital reserve	790,332,352.18	790,332,352.18
Specialised reserve	7,629,085.26	1,317,309.05
Surplus reserve	127,472,293.73	121,554,718.66
Retained earnings	661,990,273.30	665,245,129.81
Total shareholders' equity	1,771,354,784.47	1,762,380,289.70
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,864,321,144.49	2,498,217,422.19

STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

Renminbi Yuan

	Note XIII	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Revenue	4	778,935,036.73	760,337,070.47
Less: Cost of sales	4	788,412,984.58	740,074,390.05
Taxes and surcharges		2,208,163.41	699,376.13
Administrative expenses		13,427,917.95	10,798,215.75
Finance costs		(10,046,894.10)	(9,615,935.43)
including: interest income		10,274,460.09	9,809,909.59
Add: Other income		6,521,897.13	5,440,720.13
Investment income	5	12,958,082.10	6,858,807.75
including: share of profit of an associate		3,372,876.62	596,615.98
Credit impairment losses		198,250.41	–
Operating profit		4,611,094.53	30,680,551.85
Add: Non-operating income		11,046.34	–
Less: Non-operating expenses		181,548.35	65,161.50
Total profit		4,440,592.52	30,615,390.35
Less: Income tax expense		1,777,873.96	7,531,564.97
Net profit		2,662,718.56	23,083,825.38
Including: continuing operations		2,662,718.56	23,083,825.38
Other comprehensive income, net of tax		–	–
Total comprehensive income		2,662,718.56	23,083,825.38

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Renminbi Yuan

For the six months ended 30 June 2019

	Share capital	Capital reserve	Specialised reserve Note 1	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning of the period (Audited)	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
II. Movements during the period						
(i) Total comprehensive income	-	-	-	-	2,662,718.56	2,662,718.56
(ii) Profit appropriation						
1. Transfer to surplus reserve	-	-	-	5,917,575.07	(5,917,575.07)	-
(iii) Specialised reserve						
1. Appropriation for the period	-	-	6,311,776.21	-	-	6,311,776.21
III. Closing balance (Unaudited)	183,930,780.00	790,332,352.18	7,629,085.26	127,472,293.73	661,990,273.30	1,771,354,784.47

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 period refers to the difference between the amount provided according to relevant laws and the amount utilised during the period.

STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

For the six months ended 30 June 2018

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning of the period (Audited)	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 period					
(i) Total comprehensive income	-	-	-	23,083,825.38	23,083,825.38
(ii) Profit appropriation					
1. Distribution to shareholders	-	-	-	(31,268,232.60)	(31,268,232.60)
III. Closing balance (Unaudited)	183,930,780.00	790,332,352.18	115,753,744.82	653,126,033.16	1,743,142,910.16

STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

Renminbi Yuan

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
1. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	708,055,816.78	684,131,366.49
Refunds of taxes	1,630,040.62	3,201,239.25
Cash received relating to other operating activities	10,178,861.21	317,778.29
Sub-total of cash inflows from operating activities	719,864,718.61	687,650,384.03
Cash paid for goods and services	340,526,980.09	514,320,814.40
Cash paid to and on behalf of employees	69,017,866.02	66,536,511.02
Cash paid for all types of taxes	27,131,239.85	29,965,146.61
Cash paid relating to other operating activities	13,160,704.28	16,600,159.82
Sub-total of cash outflows from operating activities	449,836,790.24	627,422,631.85
Net cash flows from operating activities	270,027,928.37	60,227,752.18

STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
2. Cash flows from investing activities		
Cash received from redemption of investments	750,000,000.00	800,000,000.00
Cash received from income on investments	14,711,791.63	16,037,884.73
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,580.00	1,690.00
Cash received relating to other investing activities	-	6,755,500.00
Sub-total of cash inflows from investing activities	764,713,371.63	822,795,074.73
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets	3,868,331.98	7,553,126.00
Cash paid for acquisition of investments	600,000,000.00	796,500,000.00
Sub-total of cash outflows from investing activities	603,868,331.98	804,053,126.00
Net cash flows from investing activities	160,845,039.65	18,741,948.73

STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
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	22,058,312.60	-
Sub-total of cash outflows from financing activities	22,058,312.60	-
Net cash flows used in financing activities activities	(22,058,312.60)	-
4. Effect of foreign exchange rate changes on cash and cash equivalents	-	-
5. Net increase in cash and cash equivalents	408,814,655.42	78,969,700.91
Add: Cash and cash equivalents at beginning of the period	511,161,639.66	285,347,138.70
6. Cash and cash equivalents at end of the period	919,976,295.08	364,316,839.61

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2019

Renminbi Yuan

I. BASIC INFORMATION

Tianjin Jinran Public Utilities Company Limited (the “Company”), 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

I. BASIC INFORMATION *(continued)*

On 28 December 2005, Leason and Tianjin Wanshun Real Estate Company Limited (天津市萬順置業有限公司) (“Tianjin Wanshun”) entered into a share transfer agreement in relation 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.

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

I. BASIC INFORMATION *(continued)*

On 1 September 2014, Tianjin Gas and Tianjin Wanshun entered into a share transfer agreement for the transfer of 235,925,000 Domestic Shares (representing 12.82% of the total issued share capital of the Company) by Tianjin Wanshun to Tianjin Gas at a price of RMB0.50 per share amounting to a total consideration of RMB117,962,500.00. The 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 Company and its subsidiaries (collectively referred to as 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, mining investment, the lease of self-owned buildings and the lease of facilities of gas stations.

These financial statements were approved and authorised for issue by the board of directors of the Company on 28 August 2019.

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 period.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The interim financial statements have been prepared in accordance with “Accounting Standards for Business Enterprises No. 32 – Interim Financial Reporting” issued by the Ministry of Finance, thus they do not include all the information and disclosures in the audited financial statements for the year ended 2018. Except for the accounting policy changes disclosed in Note III. 26, the accounting policies adopted in these financial statements are consistent with the accounting policies adopted by the Group in preparing the 2018 annual financial statements. The interim financial statements should be read together with the financial statements of the Group for the year ended 2018 prepared pursuant to the accounting standards for business enterprises.

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 30 June 2019 and the financial performance and cash flows for the accounting period for the six months ended 30 June 2019 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 while its accounting period for the interim financial statements is from 1 January to 30 June.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

3. Functional currency

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

4. Business combinations

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

4. Business combinations *(continued)*

Business combinations not involving entities under common control

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

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

Goodwill is initially recognised at cost being the excess of the aggregate fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In the event that the sum of the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition is less than the share of the fair value of the net identifiable assets of the acquiree acquired in the consolidation, the measurement of the fair value of the various identifiable assets, liabilities and contingent liabilities of the acquiree acquired and the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition shall 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the accounting period for the six months ended 30 June 2019 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company (including enterprise, divided part of the investee and a structured entity that is controlled by the Company).

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

6. Cash and cash equivalents

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

7. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

7. Financial instruments *(continued)*

Recognition and derecognition of financial instruments (continued)

Regular way purchase or sale of financial assets 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.

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 recognised 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

7. Financial instruments *(continued)*

Classification and measurement of financial assets (continued)

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 of the current period. Such financial assets mainly include cash and bank balances, bills receivable, trade receivables 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.

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

7. Financial instruments *(continued)*

Classification and measurement of financial liabilities (continued)

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-impaired shall be discounted according to the actual interest rate of the financial assets adjusted by the credit.

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

7. Financial instruments *(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 after initial recognition, 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 balance sheet date.

The Group assesses the expected credit losses of financial instruments 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

7. Financial instruments *(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 to transferee; 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 financial 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

8. 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 balance sheet date, 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

9. 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

9. 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

9. 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

10. 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

11. 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.

12. 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 adjustments if necessary.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

13. 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 balance sheet date 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

13. 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.

14. Employee benefits

Employee benefits are all forms of considerations, except for share-based payments, 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 incurred during the accounting period in which employees provide services are recognised as liabilities in the costs of the relevant assets or profit or loss of the current period.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

14. Employee benefits *(continued)*

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.

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.

15. 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 on each balance sheet date. 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

16. Revenue

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

16. Revenue *(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.

17. Contract assets and contract liabilities

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

18. Government grants

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

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

19. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss of the current period, or recognised directly in shareholders' equity if it arises 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 balance sheet date 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

19. Income tax *(continued)*

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

- (1) Where the 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 balance sheet date, 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 balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date 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 balance sheet date 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

19. Income tax *(continued)*

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.

20. Leases (effective for annual periods beginning on 1 January 2019)

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. In order to assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Assessment of lease term

Lease term is the non-cancellable period for which the Group has the right to use the leased asset. Periods covered an option to extend or terminate the lease are included in the lease term if the Group is reasonably certain to or not to exercise the option. After the commencement date of the lease, the Group shall reassess the lease term upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to or not to exercise an option not previously included in its determination of the lease term.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

20. Leases (effective for annual periods beginning on 1 January 2019) *(continued)*

Short-term lease

Short-term lease is a lease with a lease term of 12 months or less. A lease which contains a purchase option is not a short-term lease. The Group chooses not to recognise a right-of-use asset or lease liability for a short-term lease. Rent income is recognised on the straight-line basis over the lease term, through related cost of assets or profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

In the case of the lessee

For details of the general accounting treatment in the case of the lessee, please refer to Note III.26.

In the case of the lessor

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

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

21. Leases (applicable for annual period of 2018)

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.

22. Distribution of profit

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

23. 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

24. Fair value measurement

The Group measures held-for-trading financial assets at fair value on each balance sheet date. 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 on each balance sheet date.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

25. 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 balance sheet date. 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Judgements (continued)

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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Estimation uncertainty (continued)

Deferred tax assets

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

26. Changes in accounting policies and accounting estimates

Changes in accounting policies

The New Lease Standard

In 2018, the Ministry of Finance announced the revised “Accounting Standard for Business Enterprises No.21 – Lease” (the “New Lease Standard”). The New Lease Standard adopts the single accounting model as the current accounting for a finance lease, a lessee is required to recognise a right-of-use asset and a lease liability for all leases except short-term leases and low-value asset leases. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability. The Group began to implement the accounting treatment by following the above newly revised standards from 1 January 2019 and chose not to re-assess whether the existing contract is, or contains, a lease at the date of initial application. According to provisions of transition, no comparatives will be restated and the difference between the New Lease Standard and the current lease standard at the date of initial application is recognised retrospectively as an adjustment to the opening balance of retained earnings as at 1 January 2019:

- (1) For operating leases prior to the date of initial application, the Group recognises the lease liability at the present value of the remaining lease payment amount based on the incremental borrowing rate at the date of initial application. The right-of-use asset is recognised in accordance with the equal amount of the lease liability for each lease and the Group makes necessary adjustments according to the prepaid rental.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

The Group has elected a simplified accounting method which does not recognise a right-of-use asset or lease liability for low-value asset operating leases and operating leases to be completed within 12 months before the date of initial application.

For the outstanding minimum lease payables of significant operating leases disclosed in the financial statements for the year ended 2018, the Group reconciled them to the present value using the incremental borrowing rate at 1 January 2019. The adjustment process for the difference between the present value and the lease liability in the statement of financial position as at 1 January 2019 is as follows:

Minimum lease payables of significant operating leases	
as at 31 December 2018	44,800.00
Less: Minimum lease payables under the simplified method	44,800.00
Including: short-term leases	44,800.00
Minimum lease payables under New Lease Standard	
as at 1 January 2019	–
Weighted average incremental borrowing rate as at 1 January 2019	4.35%
Lease liability as at 1 January 2019	–

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

Impacts of the adoption of the New Lease Standard on items of the statement of financial position at 1 January 2019 are as follows:

Consolidated statement of financial position

	1 January 2019 under new standards for lease	Assuming implementing the original standards for lease	Impact
Prepayments	1,264,754.10	1,264,754.10	—
Other payables	(43,107,692.71)	(43,107,692.71)	—
Right-of-use asset	—	—	—
Lease liability	—	—	—
	<u>(41,842,938.61)</u>	<u>(41,842,938.61)</u>	—

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

Impacts of the adoption of the New Lease Standard on items of the statement of financial position at 1 January 2019 are as follows: *(continued)*

Statement of financial position

	1 January 2019 under new standards for lease	Assuming implementing the original standards for lease	Impact
Prepayments	1,211,303.85	1,211,303.85	–
Other payables	(40,446,824.71)	(40,446,824.71)	–
Right-of-use asset	–	–	–
Lease liability	–	–	–
	(39,235,520.86)	(39,235,520.86)	–

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

Impacts of the adoption of the New Lease Standard on the financial statements for the six months ended 30 June 2019 are as follows:

Consolidated statement of financial position

	30 June 2019 under new standards for lease	Assuming implementing the original standards for lease	Impact
Prepayments	4,192,895.56	4,192,895.56	—
Other payables	(22,755,366.59)	(22,755,366.59)	—
Right-of-use asset	—	—	—
Lease liability	—	—	—
	(18,562,471.03)	(18,562,471.03)	—

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

Impacts of the adoption of the New Lease Standard on the financial statements for the six months ended 30 June 2019 are as follows: *(continued)*

Consolidated statement of profit or loss

	For the six months ended 30 June 2019 under new standards for lease	Assuming implementing the original standards for lease	Impact
Cost of sales	788,412,984.58	788,412,984.58	–
Administrative expenses	14,319,277.76	14,319,277.76	–
	802,732,262.34	802,732,262.34	–

Statement of financial position

	30 June 2019 under new standards for lease	Assuming implementing the original standards for lease	Impact
Prepayments	4,096,095.31	4,096,095.31	–
Other payables	(20,094,471.59)	(20,094,471.59)	–
Right-of-use asset	–	–	–
Lease liability	–	–	–
	(15,998,376.28)	(15,998,376.28)	–

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Changes in accounting policies (continued)

The New Lease Standard (continued)

Impacts of the adoption of the New Lease Standard on the financial statements for the six months ended 30 June 2019 are as follows: *(continued)*

Statement of profit or loss

	For the six months ended 30 June 2019 under new standards for lease	Assuming implementing the original standards for lease	Impact
Cost of sales	788,412,984.58	788,412,984.58	—
Administrative expenses	13,427,917.95	13,427,917.95	—
	<u>801,840,902.53</u>	<u>801,840,902.53</u>	—

Changes in presentation of financial statements

According to 《關於修訂印發2019年度一般企業財務報表格式的通知》(財會[2019]6號), “Bills receivable and trade receivables” was divided into “Bills receivable” and “Trade receivables” items, “Bills payable and trade payables” was divided into “Bills payable” and “Trade payables” items, the portion of “Deferred income” within one year or less amortisation period or expect to be amortised in one year (including one year) shall be included in “Deferred income” and not be classified as current liabilities in the statement of financial position. 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

IV. TAXES

1. Major categories of taxes and respective tax rates

- | | |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Value-added tax (VAT) | – Before 1 April 2019, 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 10% and other revenues were taxable to output VAT at a tax rate of 16% which was levied after deducting deductible input VAT for the current period. Since 1 April 2019, 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 9% and other revenues are taxable to output VAT at a tax rate of 13%. |
| 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. |

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash	18,437.82	17,545.34
Cash at banks	1,120,051,797.51	661,268,791.55
Other monetary funds	936,792.96	935,373.77
	1,121,007,028.29	662,221,710.66

As at 30 June 2019, the Group had unpledged 6 months fixed deposits of RMB200,000,000.00 which cannot be readily withdrawn on demand (31 December 2018: RMB150,000,000.00).

As at 30 June 2019, the cash and bank balances amounting to RMB936,792.96 were restricted as guarantee deposits for environment protection (31 December 2018: RMB935,373.77). Refer to Note V.15 for the details.

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

2. Held-for-trading financial assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Financial assets measured at fair value through profit or loss		
Structured deposits	404,237,534.25	606,575,890.41
	404,237,534.25	606,575,890.41

At 30 June 2019, the Group purchased structured deposits amounting to RMB404,237,534.25. These structured deposits were issued by 廣發銀行 and 齊魯銀行, respectively, with guaranteed principals, variable returns, and not redeemable before the maturity date by the Group (31 December 2018: the Group purchased structured deposits amounting to RMB606,575,890.41 issued by 華夏銀行, 上海銀行 and 中信銀行, respectively). As the expected annual return rates of these structured deposits are linked to variables such as final exchange rate level announced by Reuters HKDFIX (US dollar against HK dollar rate) and the middle price of the spot exchange rate announced by Reuters TKFE (Euro against US dollar 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

3. Bills receivable

	30 June 2019	31 December 2018
	(Unaudited)	(Audited/ Restated)
Commercial acceptance bills	61,551,234.66	143,200,000.00
Bank acceptance bills	109,145,884.58	51,615,158.62
	170,697,119.24	194,815,158.62

4. 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 based on the invoice date is analysed below:

	30 June 2019	31 December 2018
	(Unaudited)	(Audited/ Restated)
Within 1 year	225,261,654.14	84,475,260.94
1 to 2 years	2,575,819.86	2,778,067.52
2 to 3 years	2,501,273.51	2,501,273.51
Over 3 years	11,130,970.78	11,192,646.28
	241,469,718.29	100,947,248.25
Less: Provision for bad debts of trade receivables	15,671,162.02	15,756,852.43
	225,798,556.27	85,190,395.82

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

4. Trade receivables *(continued)*

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

	Opening balance	Provision for the period/year	Reversal during the period/year	Closing balance
30 June 2019 (Unaudited)	15,756,852.43	175,985.09	(261,675.50)	15,671,162.02
31 December 2018 (Audited)	15,271,405.02	2,282,226.61	(1,796,779.20)	15,756,852.43

For the six months ended 30 June 2019, the Group provided bad debts of RMB175,985.09 (2018: RMB2,282,226.61), and reversed bad debts of RMB261,675.50 (2018: RMB1,796,779.20).

The category of trade receivables is analysed below:

	30 June 2019 (Unaudited)				31 December 2018 (Audited)			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Accruing percentage (%)	Amount	Percentage (%)	Amount	Accruing percentage (%)
Provision for bad debts on individual basis of expected credit losses	15,333,082.12	6.3	15,333,082.12	100.0	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	226,136,636.17	93.7	338,079.90	0.1	85,352,490.63	84.6	162,094.81	0.2
	241,469,718.29	100.0	15,671,162.02	6.5	100,947,248.25	100.0	15,756,852.43	15.6

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

4. Trade receivables *(continued)*

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

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Estimated carrying amount arising from default	Expected credit loss rate	Expected credit losses	Estimated carrying amount arising from default	Expected credit loss rate	Expected credit losses
1 to 6 months	220,935,977.22	-	-	83,673,781.14	-	-
6 months to 1 year	4,325,676.92	5.0%	216,283.84	801,479.80	5.0%	40,073.99
1 to 2 years	760,655.86	10.0%	76,065.59	762,903.52	10.0%	76,290.35
2 to 3 years	-	20.0%	-	-	20.0%	-
Over 3 years	114,326.17	40.0%	45,730.47	114,326.17	40.0%	45,730.47
	226,136,636.17	0.1%	338,079.90	85,352,490.63	0.2%	162,094.81

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

5. Prepayments

The ageing of prepayments is analysed below:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	3,511,295.79	84	579,588.95	46
Over 1 year	681,599.77	16	685,165.15	54
	4,192,895.56	100	1,264,754.10	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.

6. Other receivables

The ageing of other receivables is analysed below:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	5,025,924.61	4,834,483.60
1 to 2 years	154,150.00	169,710.00
2 to 3 years	126,860.86	203,413.16
Over 3 years	2,657,597.16	2,762,541.23
	7,964,532.63	7,970,147.99
Less: Provision for bad debts of other receivables	2,665,728.32	2,778,288.32
	5,298,804.31	5,191,859.67

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

6. Other receivables *(continued)*

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

	Stage 1 Expected credit losses over the next 12 months	Total
At 1 January 2019 (Audited)	2,778,288.32	2,778,288.32
Provision for the period	-	-
Reversal during the period	(112,560.00)	(112,560.00)
Transfer during the period	-	-
Write-off during the period	-	-
At 30 June 2019 (Unaudited)	2,665,728.32	2,665,728.32

	Stage 1 Expected credit losses over the next 12 months	Total
At 1 January 2018 (Audited)	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	-	-
At 31 December 2018 (Audited)	2,778,288.32	2,778,288.32

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

6. Other receivables *(continued)*

Other receivables by nature are as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Dividends receivable	656,651.21	–
Employees' borrowings	714,782.03	818,437.76
Subsidy	2,920,000.00	2,920,000.00
Deposits and others	3,673,099.39	4,231,710.23
	7,964,532.63	7,970,147.99

7. Inventories

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Gas	215,961.69	219,724.83
Gas appliances	2,100,705.63	1,916,034.41
	2,316,667.32	2,135,759.24

As at 30 June 2019, the management of the Group considered that, there was no provision for impairment of inventories (31 December 2018: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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

8. Other current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Input VAT to be certified	15,967,134.50	5,800,254.04
	15,967,134.50	5,800,254.04

9. Long-term equity investments

For the six months ended 30 June 2019 (Unaudited)

	Current period movements						Closing carrying amount	Period-end provision for impairment
	Opening balance	Increase in investment	Decrease in investment	Investment income/loss under the equity method	Other equity movement	Cash dividends announced		
Associate 天津市濱海燃氣有限公司	45,695,863.48	-	-	3,372,876.62	272,088.77	(656,651.21)	48,684,177.66	-

2018 (Audited)

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

10. Fixed assets

The Group had no fixed assets pending for disposal.

For the six months ended 30 June 2019 (Unaudited)

	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening 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
Purchase	-	676,848.83	2,648,456.05	12,068.97	68,982.82	-	3,406,356.67
Transferred from construction in progress	-	-	-	-	-	-	-
Disposal or scrap	-	8,717.49	-	310,568.00	-	-	319,285.49
Closing balance	47,625,639.54	1,183,561,711.11	113,280,134.91	6,365,178.46	8,683,064.00	4,558,482.24	1,364,074,210.26
Accumulated depreciation							
Opening 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
Provision	549,426.10	23,142,293.84	2,083,206.75	196,193.54	251,648.47	-	26,222,768.70
Disposal or scrap	-	-	-	279,511.20	-	-	279,511.20
Closing balance	13,957,443.09	469,799,886.17	41,988,682.39	4,906,140.96	5,976,463.84	2,747,063.24	539,375,679.69
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 period	33,668,196.45	713,761,824.94	65,296,944.27	1,399,320.62	2,693,935.87	-	816,820,222.15
At beginning of the period	34,217,622.55	736,235,987.44	64,731,694.97	1,614,501.99	2,876,601.52	-	839,676,408.47

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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

10. Fixed assets (continued)

2018 (Audited)

	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

As at 30 June 2019, the Group had no fixed assets pending certificates of property ownership (31 December 2018: Nil).

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

10. Fixed assets *(continued)*

Fixed assets leased out under an operating lease are as follows:

For the six months ended 30 June 2019 (Unaudited)

	Pipelines	Total
Cost		
Opening balance	153,025,579.72	153,025,579.72
Purchase	-	-
Transferred from construction in progress	-	-
Disposal or scrap	-	-
Closing balance	153,025,579.72	153,025,579.72
Accumulated depreciation		
Opening balance	39,372,762.86	39,372,762.86
Provision	2,271,221.76	2,271,221.76
Disposal or scrap	-	-
Closing balance	41,643,984.62	41,643,984.62
Impairment provision		
Opening balance	-	-
Provision	-	-
Disposal or scrap	-	-
Closing balance	-	-
Net carrying amount		
At end of the period	111,381,595.10	111,381,595.10
At beginning of the period	113,652,816.86	113,652,816.86
		31 December 2018 (Audited)
Pipelines		113,652,816.86

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

11. Construction in progress

The Group had no construction materials.

Construction in progress

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	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	1,788,025.93	-	1,788,025.93
Mines	408,920.27	(408,920.27)	-	408,920.27	(408,920.27)	-
	4,334,986.20	(408,920.27)	3,926,065.93	4,334,986.20	(408,920.27)	3,926,065.93

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

11. Construction in progress *(continued)*

Construction in progress (continued)

The movements of construction in progress for the six months ended 30 June 2019 (Unaudited) 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	-	323,848.90	-	323,848.90	-
Gas station and others	1,788,025.93	-	-	-	1,788,025.93
Connecting pipe renovation	-	138,126.41	-	138,126.41	-
Mines	408,920.27	-	-	-	408,920.27
	4,334,986.20	461,975.31	-	461,975.31	4,334,986.20

The movements of construction in progress in 2018 (Audited) 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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

12. Intangible assets

For the six months ended 30 June 2019 (Unaudited)

	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	3,093,249.64	206,241.32	7,243,935.07	10,543,426.03
Provision	151,106.69	35,913.60	-	187,020.29
Closing balance	3,244,356.33	242,154.92	7,243,935.07	10,730,446.32
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 period	11,072,534.97	476,116.36	-	11,548,651.33
At beginning of the period	11,223,641.66	512,029.96	-	11,735,671.62

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

12. Intangible assets *(continued)*

2018 (Audited)

	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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

13. Deferred tax assets

Deferred tax assets balances are as follows:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	18,336,890.34	4,584,222.58	18,535,140.75	4,633,785.18
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
Deferred income	89,146,949.01	22,286,737.24	91,549,549.52	22,887,387.38
	113,205,880.62	28,301,470.14	117,419,451.54	29,354,862.88

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Deductible temporary differences	12,087,236.35	12,087,236.35
Deductible losses	8,389,809.79	9,897,586.67
	20,477,046.14	21,984,823.02

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

13. Deferred tax assets *(continued)*

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
2019	–	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	1,553,395.38
2024	891,037.29	–
	8,389,809.79	9,897,586.67

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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

14. Provision for impairment of assets

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Provision	Decrease		Closing balance
			Reversal	Write-off	
Provision for bad debts					
– Trade receivables	15,756,852.43	175,985.09	(261,675.50)	–	15,671,162.02
– Other receivables	2,778,288.32	–	(112,560.00)	–	2,665,728.32
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
	36,344,418.37	175,985.09	(374,235.50)	–	36,146,167.96

2018 (Audited)

	Opening balance	Provision	Decrease		Closing balance
			Reversal	Write-off	
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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

15. Assets restricted by ownership

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other monetary funds	936,792.96	935,373.77

At 30 June 2019, deposits of RMB936,792.96 were restricted as guarantee deposits for environment protection by the government in Industrial and Commercial Bank of China Kaili Tianyi sub-branch (31 December 2018: RMB935,373.77).

16. Trade payables

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

The ageing of trade payables based on the invoice date is analysed below:

	30 June 2019 (Unaudited)	31 December 2018 (Audited/ Restated)
Within 1 year	752,358,351.37	301,996,278.75
1 to 2 years	27,462,844.65	42,156,631.53
Over 2 years	4,740,687.97	5,240,484.47
	784,561,883.99	349,393,394.75

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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

17. Contract liabilities

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increase	Recognised as income	Closing balance
Advances from sales of piped gas	147,257,295.83	203,792,605.36	237,082,496.49	113,967,404.70
Advances from gas connection	40,896,548.26	18,365,452.38	15,283,904.73	43,978,095.91
Advances from sales of gas appliances	7,417,080.00	1,654,413.79	3,072,413.79	5,999,080.00
Others	225,989.61	261,620.00	214,580.00	273,029.61
	195,796,913.70	224,074,091.53	255,653,395.01	164,217,610.22

2018 (Audited)

	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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

18. Employee benefits payable

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	16,836,963.32	48,384,787.38	61,310,852.74	3,910,897.96
Benefits after demission (defined contribution plan)	(4,732.04)	8,075,675.00	7,782,368.36	288,574.60
Termination compensation	-	-	-	-
	16,832,231.28	56,460,462.38	69,093,221.10	4,199,472.56

2018 (Audited)

	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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

18. Employee benefits payable *(continued)*

Details of short-term benefits are as follows:

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	13,029,157.46	37,989,581.84	50,401,081.84	617,657.46
Employee bonus and welfare fund	3,001,223.34	–	–	3,001,223.34
Social insurance	25,187.25	4,784,380.44	4,868,145.46	(58,577.77)
Including: Medical insurance	25,987.25	4,313,023.31	4,386,571.96	(47,561.40)
Work injury insurance	(800.00)	220,155.90	226,723.16	(7,367.26)
Maternity insurance	–	251,201.23	254,850.34	(3,649.11)
Housing fund	(1,789.65)	4,896,921.00	4,893,915.00	1,216.35
Union fund and employee education fund	783,184.92	713,904.10	1,147,710.44	349,378.58
	16,836,963.32	48,384,787.38	61,310,852.74	3,910,897.96

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

18. Employee benefits payable *(continued)*

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

2018 (Audited)

	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
	<u>18,051,651.98</u>	<u>112,214,581.56</u>	<u>113,429,270.22</u>	<u>16,836,963.32</u>

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

18. Employee benefits payable *(continued)*

Details of defined contribution plan are as follows:

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	3,310.95	7,856,928.45	7,563,621.81	296,617.59
Unemployment insurance	(8,042.99)	218,746.55	218,746.55	(8,042.99)
	(4,732.04)	8,075,675.00	7,782,368.36	288,574.60

2018 (Audited)

	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)

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

19. Taxes payable

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Value-added tax	31,491,940.55	30,392,226.91
Corporate income tax	(1,907,350.11)	8,627,250.83
Others	1,207,433.36	1,233,111.94
	30,792,023.80	40,252,589.68

20. Deferred income

	30 June 2019 (Unaudited)	31 December 2018 (Audited/ Restated)
Government grants related to assets/income		
Opening balance	91,549,549.52	69,854,805.01
Increase	–	27,328,033.00
Recognised	2,402,600.51	5,633,288.49
Closing balance	89,146,949.01	91,549,549.52

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

20. Deferred income *(continued)*

Liabilities relevant to government grants as at 30 June 2019 are listed as follows: (Unaudited)

	Opening balance	Increase	Recognised as other income	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	3,438,942.69	-	(90,499.50)	3,348,443.19	Asset
富力桃園 medium pressure pipeline	4,659,259.40	-	(274,074.06)	4,385,185.34	Asset
Pipeline reconstruction of 2014	8,861,049.78	-	(204,922.75)	8,656,127.03	Asset/income
Pipeline reconstruction of 2015	10,830,936.48	-	(241,560.19)	10,589,376.29	Asset/income
Pipeline reconstruction of 2016	18,206,907.36	-	(398,201.50)	17,808,705.86	Asset/income
Pipeline reconstruction of 2017	19,356,128.96	-	(493,418.72)	18,862,710.24	Asset/income
Pipeline reconstruction of 2018	22,951,712.32	-	(501,045.51)	22,450,666.81	Asset/income
Connecting pipe renovation 鄞陽南路睿思路 medium pressure pipeline	908,856.91	-	(149,356.98)	759,499.93	Income
	2,335,755.62	-	(49,521.30)	2,286,234.32	Asset
	91,549,549.52	-	(2,402,600.51)	89,146,949.01	

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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:
(Audited/Restated)

	Opening balance	Increase	Recognised as other income	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	3,619,941.69	-	(180,999.00)	3,438,942.69	Asset
富力桃園 medium pressure pipeline	5,207,407.52	-	(548,148.12)	4,659,259.40	Asset
Pipeline reconstruction of 2014	9,270,895.27	-	(409,845.49)	8,861,049.78	Asset/income
Pipeline reconstruction of 2015	11,314,056.85	-	(483,120.37)	10,830,936.48	Asset/income
Pipeline reconstruction of 2016	16,161,507.55	2,920,000.00	(874,600.19)	18,206,907.36	Asset/income
Pipeline reconstruction of 2017	20,113,707.14	-	(757,578.18)	19,356,128.96	Asset/income
Pipeline reconstruction of 2018	-	23,170,000.00	(218,287.68)	22,951,712.32	Asset/income
Connecting pipe renovation	2,949,889.87	-	(2,041,032.96)	908,856.91	Income
鄱陽南路審思路 medium pressure pipeline	1,217,399.12	1,238,033.00	(119,676.50)	2,335,755.62	Asset
	69,854,805.01	27,328,033.00	(5,633,288.49)	91,549,549.52	

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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 were as follows:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

22. Capital reserve

For the six months ended 30 June 2019 (Unaudited) and 2018 (Audited)

	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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

23. Specialised reserve

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increase	Decrease	Closing balance
Safety production funds	1,317,309.05	6,311,776.21	–	7,629,085.26

2018 (Audited)

	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 period refers to the difference between the amount provided according to relevant laws and the amount utilised during the period.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

24. Surplus reserve

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increase	Decrease	Closing balance
Reserve fund	84,648,827.20	3,945,050.05	–	88,593,877.25
Enterprise expansion fund	36,905,891.46	1,972,525.02	–	38,878,416.48
	121,554,718.66	5,917,575.07	–	127,472,293.73

2018 (Audited)

	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

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

25. Retained earnings

	For the six months ended 30 June 2019 (Unaudited)	2018 (Audited)
Retained earnings at the beginning of the period/year	662,272,428.34	659,620,982.39
Net profit attributable to shareholders of the Parent	1,996,055.72	39,720,652.39
Less: Appropriation to reserve fund (note 1)	3,945,050.05	3,867,315.89
Enterprise expansion fund (note 1)	1,972,525.02	1,933,657.95
Dividend payable on ordinary shares in cash (note 2)	–	31,268,232.60
Retained earnings at the end of the period/year	658,350,908.99	662,272,428.34

Note 1: For the six months ended 30 June 2019 and 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.

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

26. Revenue and cost of sales

	For the six months ended 30 June 2019 (Unaudited)		For the six months ended 30 June 2018 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	778,935,036.73	788,412,984.58	760,337,070.47	740,074,390.05
	778,935,036.73	788,412,984.58	760,337,070.47	740,074,390.05

Revenue is stated as follows:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Sales of piped gas	755,833,014.07	710,123,335.64
Gas connection income	15,587,249.23	39,858,822.93
Gas transportation and rent income	4,253,620.24	5,370,851.91
Sales of gas appliances and others	3,261,153.19	4,984,059.99
	778,935,036.73	760,337,070.47

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Rent income is as follows:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Operating lease	2,727,272.72	2,710,892.71
	2,727,272.72	2,710,892.71

Decomposition of revenue generated from contracts with customers:

	For the six months ended 30 June 2019 (Unaudited)
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	755,833,014.07
Sales of gas appliances and others	3,261,153.19
Revenue recognised over time	
Gas connection income	15,587,249.23
Gas transportation and rent income	4,253,620.24
	778,935,036.73

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Decomposition of revenue generated from contracts with customers: *(continued)*

	For the six months ended 30 June 2018 (Unaudited)
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	710,123,335.64
Sales of gas appliances and others	4,984,059.99
Revenue recognised over time	
Gas connection income	39,858,822.93
Gas transportation and rent income	5,370,851.91
	<hr/>
	760,337,070.47

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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

27. Taxes and surcharges

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Business tax	–	44,326.28
City maintenance and construction tax	955,783.57	21,345.04
Education supplementary tax	682,702.55	15,342.59
Tenure tax	187,092.67	230,967.62
Vehicle use tax	19,278.95	13,617.08
Stamp duty	161,570.34	178,045.92
Property tax	191,651.85	192,963.20
Flood prevention surcharge	10,083.48	2,768.40
	2,208,163.41	699,376.13

28. Finance costs

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Interest income	(10,275,884.26)	(9,811,186.72)
Others	228,667.64	195,634.16
	(10,047,216.62)	(9,615,552.56)

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

29. Other income

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Government grants related to daily operation	6,521,897.13	5,440,720.13
	6,521,897.13	5,440,720.13

Government grants related to daily operation:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)	Relevant to asset/income
Tax refund (Note 1)	1,630,040.62	3,201,239.25	Income
Deferred income (Note 2)	2,402,600.51	2,239,480.88	Asset/income
Others (Note 3)	2,489,256.00	–	Income
	6,521,897.13	5,440,720.13	

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. The Group recognised the refund of CIT, IIT and VAT actually received according to the government preferential policy of RMB1,630,040.62 (for the six months ended 30 June 2018: RMB3,201,239.25).

Note 2: The deferred income was related to the Group's daily operation and pipelines reconstruction projects. Please refer to Note V.20 for more details.

Note 3: The Group received a subsidy from Chadian Street agency of People's Government of Tianjin Binhai New Area for the project of the shift from coal to gas of Tianjin Chadian Street of RMB2,489,256.00.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

30. Investment income

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Income from long-term equity investments under the equity method	3,372,876.62	596,615.98
Income from wealth management products and structured deposits	9,585,205.48	6,262,191.77
	12,958,082.10	6,858,807.75

31. Credit impairment losses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Bad debt loss of trade receivables	(85,690.41)	-
Bad debt loss of other receivables	(112,560.00)	-
	(198,250.41)	-

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

32. Non-operating income

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Others	11,046.34	–
	11,046.34	–

33. Non-operating expenses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Losses on scrap of non-current assets	29,476.80	64,561.50
Compensations	152,071.55	–
Others	–	600.00
	181,548.35	65,161.50

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

34. Expenses by nature

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

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Cost of piped gas purchased	690,445,455.30	640,915,114.83
Cost of gas connection services	7,488,700.67	19,326,300.78
Cost of gas meters	2,162,050.92	3,378,980.27
Employee benefits	56,460,462.38	52,479,467.53
Depreciation and amortisation	26,409,788.99	26,096,121.99
Maintenance expenses	10,619,713.86	2,668,077.95
Agency fees	4,023,589.14	2,449,347.60
Transportation expenses	913,138.05	1,218,848.45
Rental	521,346.54	4,800.00
Others	3,688,016.49	2,902,154.39
	802,732,262.34	751,439,213.79

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

35. Income tax expense

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Current income tax expense	724,481.22	7,239,584.12
Deferred tax expense	1,053,392.74	291,980.85
	1,777,873.96	7,531,564.97

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

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Total profit	3,549,555.23	30,048,399.49
Income tax expense at statutory or applicable tax rate (note 1)	887,388.81	7,512,099.88
Income not subject to tax	(843,219.16)	(149,154.00)
Expenses not deductible for tax	1,512,565.52	3,313.75
Adjustments in respect of current tax of previous periods	(1,620.53)	23,557.62
Deductible temporary differences and tax losses not recognised	222,759.32	141,747.72
Tax expense at the Group's effective tax rate	1,777,873.96	7,531,564.97

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

36. Earnings per share

	For the six months ended 30 June 2019 (Unaudited) RMB/Share	For the six months ended 30 June 2018 (Unaudited) RMB/Share
Basic earnings per share continuing operations	0.001	0.012
Diluted earnings per share continuing operations	0.001	0.012

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

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	1,996,055.72	22,646,527.12
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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

37. Supplementary information to the statement of cash flows

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

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Net profit	1,771,681.27	22,516,834.52
Add: Credit impairment losses	(198,250.41)	–
Depreciation of fixed assets	26,222,768.70	25,909,101.70
Amortisation of intangible assets	187,020.29	187,020.29
Decrease in provisions	(1,612,720.00)	(166,475.48)
Decrease in deferred income	(2,402,600.51)	–
Losses on scrap of fixed assets	29,476.80	64,561.50
Finance costs	(2,595,901.22)	(9,492,131.30)
Investment income	(12,958,082.10)	(6,858,807.75)
Decrease in deferred tax assets	1,053,392.74	291,980.85
Increase in inventories	(180,908.08)	(25,422.49)
Increase in operating receivables	(128,568,958.66)	(110,880,265.39)
Increase in operating payables	383,210,565.13	137,976,347.26
Increase in specialised reserve and others	6,039,687.44	–
Net cash flows from operating activities	269,997,171.39	59,522,743.71

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

37. 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:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Closing balance of cash	920,070,235.33	364,660,103.66
Less: Opening balance of cash	511,286,336.89	286,395,411.22
Net increase in cash and cash equivalents	408,783,898.44	78,264,692.44

(2) *Cash and cash equivalents*

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash	920,070,235.33	511,286,336.89
Including: Cash on hand	18,437.82	17,545.34
Bank deposits on demand	920,051,797.51	511,268,791.55

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Details of subsidiaries of the Company are as follows:

	Place of registration	Principal place of business	Nature of business	Registered capital	Proportion of shareholding Direct/Indirect	Proportion of votes
Newly established or invested						
天津天聯投資有限公司	Tianjin	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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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 all accounting differences and adjusted to the carrying amount of the financial statements:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets	168,583,010.83	133,925,698.20
Non-current assets	294,566,481.71	298,960,969.61
Total assets	463,149,492.54	432,886,667.81
Current liabilities	196,271,353.62	174,674,581.34
Non-current liabilities	119,288,788.26	120,404,451.60
Total liabilities	315,560,141.88	295,079,032.94
Net assets	147,589,350.66	137,807,634.87
Net assets portion based on shareholding	45,086,944.31	42,098,630.13
Adjustment	3,597,233.35	3,597,233.35
Carrying amount of investment	48,684,177.66	45,695,863.48
	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Revenue	106,654,570.98	84,896,432.13
Income tax expense	3,475,243.44	1,312,088.76
Net profit	11,040,512.66	1,952,916.47
Other comprehensive income	-	-
Total comprehensive income	11,040,512.66	1,952,916.47
Dividends received	-	-

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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 balance sheet date are as follows:

30 June 2019 (Unaudited)

Financial assets

	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Total
Cash and bank balances	-	1,121,007,028.29	1,121,007,028.29
Held-for-trading financial assets	404,237,534.25	-	404,237,534.25
Bills receivable	-	170,697,119.24	170,697,119.24
Trade receivables	-	225,798,556.27	225,798,556.27
Other receivables	-	5,298,804.31	5,298,804.31
	404,237,534.25	1,522,801,508.11	1,927,039,042.36

Financial liabilities

	Financial liabilities measured at amortised cost	Total
Trade payables	784,561,883.99	784,561,883.99
Other payables	22,755,366.59	22,755,366.59
	807,317,250.58	807,317,250.58

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Classification of financial instruments (continued)

31 December 2018 (Audited/Restated)

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	-	194,815,158.62	194,815,158.62
Trade receivables	-	85,190,395.82	85,190,395.82
Other receivables	-	5,191,859.67	5,191,859.67
	<u>606,575,890.41</u>	<u>947,419,124.77</u>	<u>1,553,995,015.18</u>

Financial liabilities

	Financial liabilities measured at amortised cost	Total
Trade payables	349,393,394.75	349,393,394.75
Other payables	43,107,692.71	43,107,692.71
	<u>392,501,087.46</u>	<u>392,501,087.46</u>

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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, trade receivables 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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:

	30 June 2019 (Unaudited)	31 December 2018 (Audited/ Restated)
Carrying amount of bills receivable	170,697,119.24	194,815,158.62
Carrying amount of trade receivables	241,469,718.29	100,947,248.25
Less: Provision for bad debts	(15,671,162.02)	(15,756,852.43)
Book value	396,495,675.51	280,005,554.44

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 30 June 2019, the Group had certain concentrations of credit risk as 69% (31 December 2018: 18%) and 88% (31 December 2018: 58%) 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Credit risk (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Credit risk (continued)

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

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Credit risk (continued)

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 30 June 2019 and 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.4 Trade receivables and Note V.6 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 2019 to 30 June 2019, the Group's assessment methods and major assumptions have not changed.

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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:

30 June 2019 (Unaudited)

	On demand	Within 3 months	3 months to 1 year	Total
Trade payables	–	784,561,883.99	–	784,561,883.99
Other payables	10,974,939.71	11,780,426.88	–	22,755,366.59
	10,974,939.71	796,342,310.87	–	807,317,250.58

31 December 2018 (Audited/Restated)

	On demand	Within 3 months	3 months to 1 year	Total
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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Gearing ratio	38%	30%

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

VIII. FAIR VALUE

1. Assets and liabilities measured at fair value

30 June 2019 (Unaudited)

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Held-for-trading financial assets	-	404,237,534.25	-	404,237,534.25

31 December 2018 (Audited)

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Held-for-trading financial assets	-	606,575,890.41	-	606,575,890.41

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

VIII. FAIR VALUE *(continued)*

2. Fair value evaluation

Management has assessed cash and bank balances, bills receivable, trade receivables, other receivables, 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. On each balance sheet date, 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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
天津市液化氣有限責任公司	A subsidiary of the controlling shareholder
天津市津能工程管理有限公司	Under a common ultimate controlling company
天津市津能投資有限公司	Under a common ultimate controlling company

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

5. Major transactions between the Group and its related parties

(1) *Goods and services between related parties*

Purchase of piped gas from a related party

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
津燃華潤燃氣有限公司	708,105,777.49	652,811,575.74

Gas transportation and rent services provided to related parties

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
天津濱海燃氣集團有限公司	2,727,272.72	2,710,892.71
津燃華潤燃氣有限公司	1,526,347.52	2,659,959.20
	4,253,620.24	5,370,851.91

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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)

Sales of piped gas to related parties

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
天津泰華燃氣有限公司	96,830,473.06	88,178,789.11
天津市熱力有限公司	1,060,017.45	382,800.88
天津濱海中油燃氣有限責任公司	80,676.82	88,332.44
天津市津能投資有限公司	20,533.99	–
天津市液化氣工程有限公司	2,967.16	2,396.58
	97,994,668.48	88,652,319.01

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Gas connection services received		
天津市聯益燃氣配套工程有限責任公司	1,544,569.71	–
天津市液化氣工程有限公司	1,484,042.65	–
天津市益銷燃氣工程發展有限公司	454,556.89	498,354.14
天津市眾元天然氣工程有限公司	614,648.18	–
	4,097,817.43	498,354.14
Gas meter installation services received		
天津市益銷燃氣工程發展有限公司	1,138,847.71	1,963,287.27

Purchase of gas meters from a related party

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
天津市裕民燃氣表具有限公司	1,889,484.55	3,378,980.27

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
天津市益銷燃氣工程發展有限公司	48,543.70	–

Construction design services received from a related party

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
天津市燃氣熱力規劃設計研究院 有限公司	326,261.47	886,454.52

Rental of buildings from related parties

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
天津市液化氣有限責任公司	233,142.87	–
天津市益銷燃氣工程發展有限公司	100,403.67	–
	333,546.54	–

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

(2) Remuneration of key management

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Remuneration of key management	1,039,625.60	969,096.80

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. On 30 April 2019, the Group exercised the option at its absolute direction.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

7. Amounts due from related parties

	30 June 2019	31 December 2018
	(Unaudited)	(Audited/ Restated)
Trade receivables		
天津泰華燃氣有限公司	26,254,389.01	18,322,950.66
天津濱海燃氣集團有限公司	6,000,000.00	3,000,000.00
津燃華潤燃氣有限公司	1,692,587.45	22,880.00
天津濱海中油燃氣有限責任公司	1,444.38	1,225.21
天津市液化氣工程有限公司	-	131.86
	33,948,420.84	21,347,187.73
Other receivables		
津燃華潤燃氣有限公司	2,920,372.00	2,920,372.00
天津市濱海燃氣有限公司	656,651.21	-
	3,577,023.21	2,920,372.00

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

8. Amounts due to related parties

	30 June 2019	31 December 2018
	(Unaudited)	(Audited/ Restated)
Trade payables		
津燃華潤燃氣有限公司	692,641,704.89	235,600,718.32
天津市益銷燃氣工程發展有限公司	15,669,809.88	15,254,420.09
天津市裕民燃氣表具有限公司	6,002,007.61	5,874,648.85
天津市液化氣工程有限公司	4,622,414.41	6,043,046.37
天津市燃氣熱力規劃設計研究院有限公司	2,563,265.23	3,022,078.80
天津市聯益燃氣配套工程有限責任公司	1,888,131.55	424,741.65
天津市眾元天然氣工程有限公司	1,152,652.45	476,539.45
天津市津能工程管理有限公司	5,805.00	5,805.00
	724,545,791.02	266,701,998.53
	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
Contract liabilities		
天津市熱力有限公司	1,993,979.92	2,865,026.86
天津濱海中油燃氣有限責任公司	52,133.06	89,026.12
天津市津能投資有限公司	13,825.99	5,127.33
	2,059,938.97	2,959,180.31

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other payables		
津燃華潤燃氣有限公司	1,944,057.36	1,938,797.36
天津市液化氣有限責任公司	122,400.00	-
天津市益銷燃氣工程發展有限公司	54,720.00	-
Tianjin Gas	-	22,058,312.60
	2,121,177.36	23,997,109.96

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

X. COMMITMENTS AND CONTINGENCIES

1. Commitments

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contracted but not provided for Capital commitments	805,000.00	805,000.00
	805,000.00	805,000.00

XI. POST BALANCE SHEET EVENTS

As at the date of approval of the financial statements, the Group had no post balance sheet events which need to be disclosed.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS *(continued)*

1. Segment reporting *(continued)*

Operating segments (continued)

For the six months ended 30 June 2019 (Unaudited)

	Sales of piped gas	Gas connection	Gas transportation and rent	Sales of gas appliances and others	Total
Revenue from external customers	755,833,014.07	15,587,249.23	4,253,620.24	3,261,153.19	778,935,036.73
Operating profit/(loss)	(21,826,818.84)	8,054,361.06	999,818.51	1,086,528.01	(11,686,111.26)
Less: Administrative expenses					14,319,277.76
Finance costs					(10,047,216.62)
Add: Other income					6,521,897.13
Investment income					12,958,082.10
Credit impairment losses					198,250.41
Add: Non-operating income					11,046.34
Less: Non-operating expenses					181,548.35
Total profit					3,549,555.23

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS *(continued)*

1. Segment reporting *(continued)*

Operating segments (continued)

For the six months ended 30 June 2018 (Unaudited)

	Sales of piped gas	Gas connection	Gas transportation and rent	Sales of gas appliances and others	Total
Revenue from external customers	710,123,335.64	39,858,822.93	5,370,851.91	4,984,059.99	760,337,070.47
Operating profit/(loss)	(4,652,071.72)	20,495,859.06	2,124,168.30	1,595,348.65	19,563,304.29
Less: Administrative expenses					11,364,823.74
Finance costs					(9,615,552.56)
Add: Other income					5,440,720.13
Investment income					6,858,807.75
Credit impairment losses					-
Add: Non-operating income					-
Less: Non-operating expenses					65,161.50
Total profit					30,048,399.49

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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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.

Geographical information

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

Information about major customers

For the six months ended 30 June 2019, the Group's operating revenue of RMB317,233,323.40 (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) (for the six months ended 30 June 2018: RMB277,411,215.01).

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS *(continued)*

2. Leases

As lessor

Operating leases: according to the lease contracts entered into with lessees, the minimum lease receivables under irrevocable leases are as follows:

	30 June 2019 (Unaudited)
Within 1 year, inclusive	6,000,000.00
1 to 2 years, inclusive	5,000,000.00
	11,000,000.00

For details of fixed assets leased out under an operating lease, please refer to Note V.10.

As lessee

Supplementary information of lease expenses

The Group simplifies the accounting of short-term leases, with no recognition of right-of-use asset and lease liability and the short-term lease expenses are as follows:

	For the six months ended 30 June 2019 (Unaudited)
Short-term lease expenses	521,346.54
	521,346.54

The Group has no committed lease that has not begun.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS *(continued)*

2. Leases *(continued)*

As lessee (continued)

Significant operating leases (applicable for annual period of 2018): according to the lease contracts entered into with lessors, the minimum lease payables under irrevocable leases are as follows:

	31 December 2018 (Audited)
Within 1 year, inclusive	44,800.00
1 to 2 years, inclusive	—
	<hr/> 44,800.00

3. Comparative amounts

As further explained in Note III.26, due to the implementation of 財會[2019] 6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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

1. Trade receivables

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

The ageing of trade receivables based on the invoice date is analysed below:

	30 June 2019 (Unaudited)	31 December 2018 (Audited/Restated)
Within 1 year	225,261,654.14	84,475,260.94
1 to 2 years	2,575,819.86	2,778,067.52
2 to 3 years	2,501,273.51	2,501,273.51
Over 3 years	11,130,970.78	11,192,646.28
	241,469,718.29	100,947,248.25
Less: Provision for bad debts of trade receivables	15,671,162.02	15,756,852.43
	225,798,556.27	85,190,395.82

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

	Opening balance	Provision for the period/year	Reversal during the period/year	Closing balance
30 June 2019 (Unaudited)	15,756,852.43	175,985.09	(261,675.50)	15,671,162.02
31 December 2018 (Audited)	15,271,405.02	2,282,226.61	(1,796,779.20)	15,756,852.43

For the six months ended 30 June 2019, the Company provided bad debts of RMB175,985.09 (2018: RMB2,282,226.61), and reversed bad debts of RMB261,675.50 (2018: RMB1,796,779.20).

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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

1. Trade receivables (continued)

The category of trade receivables is analysed below:

	30 June 2019 (Unaudited)				31 December 2018 (Audited)			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Accruing percentage (%)	Amount	Percentage (%)	Amount	Accruing percentage (%)
Provision for bad debts on individual basis of expected credit losses	15,333,082.12	6.3	15,333,082.12	100.0	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	226,136,636.17	93.7	338,079.90	0.1	85,352,490.63	84.6	162,094.81	0.2
	241,469,718.29	100.0	15,671,162.02	6.5	100,947,248.25	100.0	15,756,852.43	15.6

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

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Estimated carrying amount arising from default	Expected credit loss rate	Expected credit losses	Estimated carrying amount arising from default	Expected credit loss rate	Expected credit losses
1 to 6 months	220,935,977.22	-	-	83,673,781.14	-	-
6 months to 1 year	4,325,676.92	5.0%	216,283.84	801,479.80	5.0%	40,073.99
1 to 2 years	760,655.86	10.0%	76,065.59	762,903.52	10.0%	76,290.35
2 to 3 years	-	20.0%	-	-	20.0%	-
Over 3 years	114,326.17	40.0%	45,730.47	114,326.17	40.0%	45,730.47
	226,136,636.17	0.1%	338,079.90	85,352,490.63	0.2%	162,094.81

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

2. Other receivables

The ageing of other receivables is analysed below:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	6,672,435.11	5,574,931.60
1 to 2 years	160,040.50	175,600.50
2 to 3 years	326,860.86	403,413.16
Over 3 years	2,457,547.16	2,562,491.23
	9,616,883.63	8,716,436.49
Less: Provision for bad debts of other receivables	2,665,728.32	2,778,288.32
	6,951,155.31	5,938,148.17

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

2. Other receivables *(continued)*

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

	Stage 1 Expected credit losses over the next 12 months	Total
At 1 January 2019 (Audited)	2,778,288.32	2,778,288.32
Provision for the period	-	-
Reversal during the period	(112,560.00)	(112,560.00)
Transfer during the period	-	-
Write-off during the period	-	-
At 30 June 2019 (Unaudited)	2,665,728.32	2,665,728.32

	Stage 1 Expected credit losses over the next 12 months	Total
At 1 January 2018 (Audited)	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	-	-
At 31 December 2018 (Audited)	2,778,288.32	2,778,288.32

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

2. Other receivables *(continued)*

Other receivables by nature are as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Dividends receivable	656,651.21	–
Employees' borrowings	714,782.03	818,437.76
Subsidy	2,920,000.00	2,920,000.00
Deposits and others	5,325,450.39	4,977,998.73
	9,616,883.63	8,716,436.49

3. Long-term equity investments

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Current period movements		Closing carrying amount	Provision for impairment at the end of the period
		Increase	Decrease		
Associate					
- 天津市濱海燃氣有限公司	45,695,863.48	3,644,965.39	(656,651.21)	48,684,177.66	–
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公司	600,000.00	–	–	600,000.00	(600,000.00)
	20,600,000.00	–	–	20,600,000.00	(20,600,000.00)

NOTES TO FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2019

Renminbi Yuan

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

3. Long-term equity investments (continued)

2018 (Audited)

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

Provision for impairment of long-term equity investments is as follows:

For the six months ended 30 June 2019 (Unaudited)

	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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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: *(continued)*

2018 (Audited)

	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

4. Revenue and cost of sales

	For the six months ended 30 June 2019 (Unaudited)		For the six months ended 30 June 2018 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	778,935,036.73	788,412,984.58	760,337,070.47	740,074,390.05
	778,935,036.73	788,412,984.58	760,337,070.47	740,074,390.05

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Revenue is stated as follows:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Sales of piped gas	755,833,014.07	710,123,335.64
Gas connection income	15,587,249.23	39,858,822.93
Gas transportation and rent income	4,253,620.24	5,370,851.91
Sales of gas appliances and others	3,261,153.19	4,984,059.99
	778,935,036.73	760,337,070.47

Rent income is as follows:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Operating lease	2,727,272.72	2,710,892.71
	2,727,272.72	2,710,892.71

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Decomposition of revenue generated from contracts with customers:

	For the six months ended 30 June 2019 (Unaudited)
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	755,833,014.07
Sales of gas appliances and others	3,261,153.19
Revenue recognised over time	
Gas connection income	15,587,249.23
Gas transportation and rent income	4,253,620.24
	<hr/>
	778,935,036.73

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2019

Renminbi Yuan

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

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

Decomposition of revenue generated from contracts with customers: *(continued)*

	For the six months ended 30 June 2018 (Unaudited)
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	710,123,335.64
Sales of gas appliances and others	4,984,059.99
Revenue recognised over time	
Gas connection income	39,858,822.93
Gas transportation and rent income	5,370,851.91
	<u>760,337,070.47</u>

5. Investment income

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Income from long-term equity investments under the equity method	3,372,876.62	596,615.98
Income from wealth management products and structured deposits	9,585,205.48	6,262,191.77
	<u>12,958,082.10</u>	6,858,807.75

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2019, 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 optimize its management in business development, daily operations and compliance matters.

FINANCIAL REVIEW

For the Period, the Group reported a revenue of approximately RMB778,935,000 (for the six months ended 30 June 2018: approximately RMB760,337,000), representing an increase of approximately 2% as compared with the corresponding period of last year. The gross profit margin decreased from approximately 2.57% for the six months ended 30 June 2018 to a loss of approximately 1.50% for the Period. Profit before tax from continuing operations of the Group amounted to approximately RMB3,550,000 (for the six months ended 30 June 2018: approximately RMB30,048,000), representing a decrease of approximately 88%.

The decline in financial performance of the Group was mainly attributable to: (1) a decrease in the gas connection income since the property market in the Group's governing areas was relatively sluggish for the first half of 2019, where there were fewer newly completed property projects, resulting in a decrease in demand of piped gas connection service from the Group; and (2) an increase in the natural gas safety production expenses compared with the same period last year as this year the Group decided to: (i) strengthen the maintenance of the safety facilities; and (ii) commence the maintenance work in the first quarter of 2019 while such work mostly commenced in the third and fourth quarters of 2018. In the second half of the year, the Group 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 Period, 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, followed by gas connection, gas transportation and sales of gas appliances.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2019, total equity attributable to shareholders of the Company amounted to approximately RMB1,767,715,000 (31 December 2018: approximately RMB1,759,408,000). As of 30 June 2019, the Company had a registered capital of RMB183,930,780 comprising 1,839,307,800 ordinary shares with a nominal value of RMB0.1 each (the “Share(s)”), which consisted of 1,339,247,800 domestic shares (“Domestic Share(s)”) and 500,060,000 H shares (“H Share(s)”). The Group is generally funded by equity financing. As at 30 June 2019, the Group did not have any bank borrowing (31 December 2018: Nil).

As at 30 June 2019, the Group had net current assets of approximately RMB942,989,000 (31 December 2018: approximately RMB916,200,000 (restated)), including cash and cash equivalent of approximately RMB920,070,000 (31 December 2018: approximately RMB511,286,000) which was principally denominated in Renminbi.

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 in its ordinary business operation is only minimal.

Significant Investments

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the articles of association of the Company and other laws and regulations.

As at 30 June 2019, the “held-for-trading financial assets” balance was RMB404,237,534.25, which represented the total fair value amount from the subscriptions of wealth management products as at 30 June 2019, with 廣發銀行股份有限公司(天津分行)(China Guangfa Bank Co., Ltd. (Tianjin Branch)*) (“Guangfa Bank”) and 齊魯銀行股份有限公司(天津華苑支行)(Qilu Bank Company Limited (Tianjin Huayuan Branch)*)(“Qilu Bank”), which were announced on 27 March 2019 (the “Guangfa Bank Announcement”) and 3 April 2019 (the “Qilu Bank Announcement”, together the “Wealth Management Announcements”), respectively. Details of held-for-trading financial assets are set out in note V.2 and note V.30 to the financial statements.

Each of Guangfa Bank and Qilu Bank is a licensed bank established under the laws of the PRC.

As at 30 June 2019, the fair value of each wealth management product subscribed to by the Group 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 30 June 2019, its relative size to the total asset as at 30 June 2019, 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 30 June 2019 RMB	Size of principal subscription amount relative to the total asset of the Group as at 30 June 2019 %	Size of principal subscription amount relative to the total asset as at the date of subscription %	As at 30 June 2019, 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
Guangfa Bank Announcement	200,000,000	202,212,328.77	7.00 (Note 1)	8.02 (Note 2)	4.25 (Note 3)	Unrealised (Note 4)
Qilu Bank Announcement	200,000,000	202,025,205.48	7.00 (Note 1)	8.02 (Note 2)	4.20 (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 Group's total asset as at 30 June 2019, represents the unaudited total assets of the Group as at 30 June 2019 of RMB2,858,796,326.95.
- 2 This total assets figure used as the denominator to calculate the relative size of each subscription on the Group's total asset as at the date of subscription for each wealth management product, represents the audited total assets of the Group as at 31 December 2018 of RMB2,493,584,654.94 published in the annual results announcement of the Group for the year ended 31 December 2018.

- 3 This figure represents the expected annualised rate of return as announced based on the performance of the underlying link (i.e. final exchange rate level announced by Reuters HKDFIX (US dollar against HK dollar rate) or the middle price of the spot exchange rate announced by Reuters TKFE (Euro against US dollar rate)) 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 30 June 2019, 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 six months ended 30 June 2019.

Material Acquisition And Disposal

During the Period, there had been no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

Future Plans For Material Investments Or Capital Assets

The Group had no specific plan for material investments or capital assets as at 30 June 2019.

Charges On The Group's Assets

As at 30 June 2019, none of the Group's assets was pledged as security for liability.

Gearing Ratio

The Group's gearing ratio (total liabilities to total asset ratio) as at 30 June 2019 was approximately 0.38 (31 December 2018: approximately 0.30).

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities or guarantees (31 December 2018: Nil).

Treasury Policy

To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Staff and Emolument Policy

As at 30 June 2019, the Group had a workforce of 788 full-time employees (30 June 2018: 835). Total staff costs amounted to approximately RMB54,850,000 for the six months ended 30 June 2019 (30 June 2018: RMB50,950,000).

Emoluments of employees were determined pursuant to the common practice of the industry as well as individual performance. 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 the employees. The Group also made contributions to medical welfare and retirement funds as well as other benefits to all employees.

DIVIDEND

No dividends were declared or proposed during the Period. The Directors do not recommend an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

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》), the 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 by 2020.

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

- On the premise of ensuring the strategic direction and business needs, lay emphasis on five principles, which are strategic orientation, economical efficiency, financing matching, risk prevention and order of priority, to achieve continuing growth of net cash flows.
- Continue to improve the financial management system, with a view to reducing operating costs, and maximize the benefits from project operations.
- Continue to strengthen the support of scientific and technological innovation to the businesses of the Company, enhance the introduction and development of advanced technologies, as well as apply such advanced technologies to the production management and the internal management.
- Continue to improve the operation management system and mechanism, with emphasis on operation security, optimize management methods and means and promote the pre-control safety management, so as to ensure safe operation.
- Continue to strengthen the talent team construction, drive management change with strategic change, expand existing businesses with incremental business and inspire employees with entrepreneurial teams, so as to contribute a chain reaction to the corporation.

Directors', Chief Executives' and Supervisors' Interests in Securities

As at 30 June 2019, the interests and short positions of the Directors, chief executives and supervisors (the "Supervisors") of the Company in the Shares, underlying shares or debentures of the Company or any of 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 of Hong Kong Limited (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
Ms. Tang Jie	Beneficial owner	41,700,000	2.27%/3.11%

Save as disclosed in the above paragraph, as at 30 June 2019, 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 30 June 2019, the following persons, not being a Director, chief executive or Supervisor of the Company, had interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept 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	70.545%/96.886%
Tianjin Energy Investment Company Limited ("Tianjin Energy") (Note 1) 天津能源投資集團有限公司	Interest of a controlled corporation	1,297,547,800	70.545%/96.886%

Note:

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	30,090,000	1.64%/6.02%
Wang Junyan	Held by controlled corporation (note 4)	30,330,000	1.65%/6.07%
China Alpha Fund Management Ltd	Investment manager	30,330,000	1.65%/6.07%
Alpha Logic Holdings Limited	Held by controlled corporation (note 5)	30,330,000	1.65%/6.07%

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/ H Shares
Jet Elite Investments Limited	Held by controlled corporation (note 6)	30,330,000	1.65%/6.07%
China Alpha Fund Management (HK) Limited	Investment manager	30,330,000	1.65%/6.07%

Notes:

1. As at 30 June 2019, 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 30 June 2019, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, who had interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Directors' Interests in Contracts

Save as disclosed in this report, no contract of significance to which the Company or its subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

Corporate Governance

For the Period, the Company complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Arrangements to Purchase Shares or Debentures

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

Code of Conduct Regarding Securities Transactions by Directors and Supervisors

The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules has been adopted as a code of securities transactions for Directors and Supervisors of the Company (the “Code”). The Company, having made specific enquiries with the Directors and Supervisors, confirms that, during the Period, all the Directors and Supervisors have complied with the required standards set out in the Code for securities transaction by the Directors and Supervisors.

AUDIT COMMITTEE

The Board established an audit committee (the “Audit Committee”) on 3 December 2003 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 system and risk management and internal control systems of the Group. During the Period, the Audit Committee comprised three independent non-executive Directors, namely Mr. Guo Jia Li, Mr. Zhang Ying Hua and Mr. Yu Jian Jun. The Audit Committee has reviewed the unaudited interim results for the Period.

SIGNIFICANT EVENTS

Continuing Connected Transaction in relation to pipeline construction and design services

The pipeline and construction and design agreement dated 29 April 2016 has expired on 31 December 2018. On 4 January 2019, the Company and 天津能源投資集團有限公司 (Tianjin Energy Investment Company Limited*, “Tianjin Energy”) entered into the pipeline works agreement (the “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 Pipeline Works Framework Agreement (i.e. 4 January 2019) to 31 December 2021. The annual cap for the transactions contemplated under the Pipeline Works Framework Agreement for each of the three years ending 31 December 2021 is RMB30,000,000.

Tianjin Energy owns the entire equity interest in 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited*, “Tianjin Gas”), a controlling shareholder of the Company which holds 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 Pipeline Works Framework Agreement constitutes a continuing connected transaction of the Company. As the highest applicable percentage ratio for the aforesaid annual cap is, on an annual basis, more than 0.1% but less than 5%, the 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.

Amendments to the Articles of Association of the Company

The shareholders of the Company had approved a special resolution at an extraordinary general meeting of the Company held on 5 March 2019 to amend the articles of association of the Company in respect of the expansion of the scope of business of the Company. For details, please refer to the announcement of the Company dated 9 January 2019 and the circular of the Company dated 16 January 2019.

Appointment of Deputy General 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, 津燃華潤燃氣集團有限公司 (Jinran China Resources Gas Co., Ltd.*, “Jinran China Resources”) and the Company entered into a natural gas transportation contract (the “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 annual caps for the gas transportation fees contemplated under the New Gas Transportation Contract for the year ended 31 December 2018, and for the years ending 31 December 2019 and 31 December 2020 are RMB7,600,000, RMB9,120,000 and RMB10,950,000, respectively.

Jinran China Resources is 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 Transportation Contract between Jinran China Resources and the Company constitute 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.

Continuing connected transaction in relation to the Supplemental Agreement to the 2017 Gas Supply Contract

Reference is made to the announcements of the Company 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 in relation to, inter alia, the gas supply contract dated 31 October 2014 (the "2017 Gas Supply Contract") entered into between the Company and Jinran China Resources in respect of the supply of natural gas by Jinran China Resources to the Company for the 12 months ended 31 December 2017.

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). On 8 March 2019, Jinran China Resources and the Company entered into the supplemental agreement to the 2017 Gas Supply Contract have, agreeing 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 to be 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 8 March 2019.

Subscription of Wealth Management Products

China Guangfa Bank Wealth Management Agreement

On 27 March 2019, the Company entered into the wealth management agreement (“China Guangfa Bank Wealth Management Agreement”) with 廣發銀行股份有限公司(天津分行) (China Guangfa Bank Co., Ltd. (Tianjin Branch))* to subscribe for the wealth management product named 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).

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 Company’s announcement dated 27 March 2019.

Qilu Bank Wealth Management Agreement

On 3 April 2019, the Company entered into the wealth management agreement (the “Qilu Bank Wealth Management Agreement”) with 齊魯銀行股份有限公司(天津華苑支行) (Qilu Bank Company Limited (Tianjin Huayuan Branch))* to subscribe for the wealth management product named Duigong Structured Deposit Product of Qilu Bank* (齊魯銀行對公結構性存款產品) in the subscription amount of RMB200 million (equivalent to approximately HK\$234 million as at 3 April 2019).

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

For details, please refer to the Company's announcement dated 3 April 2019.

Connected transaction in relation to purchase of gas meters

On 1 April 2019, the Company entered into a material 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 a maximum quantity of 75,000 gas meters at an aggregate maximum purchase price of RMB25,350,000 (equivalent to approximately HK\$29,659,500 as at 1 April 2019).

Tianjin Gas is a controlling shareholder of the Company which holds approximately 70.54% of the registered capital of the Company and 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 for the Purchase Agreement is more than 0.1% but below 5%, the Purchase Agreement and the transaction contemplated thereunder is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 1 April 2019.

Renewal of continuing connected transaction in relation to gas supply

As the gas supply contract dated 20 September 2018 expired on 31 December 2018, on 26 April 2019, the Company and Jinran China Resources entered into a gas supply contract (the “2019 Gas Supply Contract”) for the period from 1 January 2019 to 31 December 2019. The total transaction amount (tax inclusive) under the 2019 Gas Supply Contract for the year ending 31 December 2019 shall not exceed RMB1,915,200,000.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the annual cap for the 2019 Gas Supply Contract for the year ending 31 December 2019 exceed 5%, the 2019 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.

For details, please refer to the announcement of the Company dated 26 April 2019 and the circular of the Company dated 3 June 2019.

Jinran China Resources has, during the interim period (being 1 January 2019 up to the date when the 2019 Gas Supply Contract takes effect, the “Interim Period”) pending the approval of the independent shareholders of the Company, continued to, but without receiving any payment for, supply of natural gas to the Company to ensure the continuous and uninterrupted supply of natural gas to areas of Tianjin. In light of the above, the Company and Jinran China Resources entered into a supplemental agreement to the 2019 Gas Supply Contract on 14 May 2019. It was agreed that, amongst other things, the amount of RMB61,100,000 (being 32,500,000 cubic metres of natural gas times by the price per cubic metre of natural gas supplied of RMB1.88 (tax inclusive) shall be paid by the Company to Jinran China Resources for part of the natural gas supplied during the Interim Period.

For details, please refer to the announcement of the Company dated 14 May 2019.

Continuing connected transaction in relation to the renewal of annual caps under the Gas Pipeline Lease Agreement

On 25 April 2016, the Company and 天津濱海燃氣集團有限公司 (Tianjin Binhai Gas Group Company Limited*, “Binhai Gas Group”) entered into the gas pipeline lease agreement (the “Gas Pipeline Lease Agreement”) in respect of the lease of the Beihuan Pipeline, 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 Company is entitled, 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, subject to compliance with the reporting, announcement and/or independent shareholders’ approval requirements under the Listing Rules.

On 30 April 2019, the Board has resolved to exercise the discretion to extend the term for a further two years ending 30 April 2021 on the same terms and conditions contemplated under the Gas Pipeline Lease Agreement. The new annual caps, being RMB6,000,000 for each of the renewed years i.e. 1 May 2019 to 30 April 2020 and 1 May 2020 to 30 April 2021 (the “New Annual Caps”), is the maximum gas pipeline lease fee payable by Binhai Gas Group to the Company pursuant to the Gas Pipeline Lease Agreement under the renewal of the Gas Pipeline Lease Agreement.

Tianjin Gas is the controlling shareholder of the Company which owns approximately 70.54% of the registered capital in the Company. Pursuant to Rule 14A.07 of the Listing Rules, Tianjin Gas is 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. Pursuant to the Listing Rules, the renewal of the Gas Pipeline Lease Agreement constitutes a continuing connected transaction of the Company.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the renewal of the Gas Pipeline Lease Agreement in respect of the New Annual Caps, on an annual basis, will be more than 0.1% but less than 5%, the transactions contemplated under the Gas Pipeline Lease Agreement are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from independent shareholders' approval requirements.

For details, please refer to the Company's announcement dated 30 April 2019.

IMPORTANT EVENTS AFTER THE PERIOD

Save as disclosed in this report, there is no important event affecting the Group which has occurred after the end of the Period and up to the date of this report.

By Order of the Board
Tianjin Jinran Public Utilities Company Limited
Zhao Wei
Chairman

Tianjin, PRC, 28 August 2019

* *for identification purpose only*