



天津津燃公用事業股份有限公司
TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 1265



Annual Report
2019

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COMPANY INFORMATION

DIRECTORS

Executive Directors

Zhao Wei (*Chairman*)

Tang Jie

Wang Quan Hong

Non-executive Directors

Hou Shuang Jiang

Wang Jin

Zhao Heng Hai

Independent Non-executive Directors

Zhang Ying Hua

Yu Jian Jun

Guo Jia Li

INDEPENDENT SUPERVISORS

Xu Hui

Liu Zhi Yuan

STAFF REPRESENTATIVE SUPERVISORS

Hao Li

You Hui Yan

SHAREHOLDERS' REPRESENTATIVE SUPERVISOR

Yang Hu Ling

COMPANY SECRETARY

Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Wang Quan Hong

Lau Kwok Yin

BOARD COMMITTEES

Audit Committee

Guo Jia Li (*Chairman*)

Zhang Ying Hua

Yu Jian Jun

Nomination Committee

Zhao Wei (*Chairman*)

Zhang Ying Hua

Yu Jian Jun

Remuneration Committee

Zhang Ying Hua (*Chairman*)

Guo Jia Li

Hou Shuang Jiang

COMPANY INFORMATION

LEGAL ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 9, Gangao Tower,
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Heping District, Tianjin

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

AUDITORS

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HONG KONG LEGAL ADVISER

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Quarry Bay, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
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Hopewell Centre
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PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

STOCK CODE

The Stock Exchange of Hong Kong Limited: 01265

FINANCIAL SUMMARY

	2019	2018
	RMB'000	RMB'000
Revenue	1,501,277	1,519,526
Operating profit	5,756	53,138
Net profit attributable to shareholders of the Parent	4,383	39,721
Equity attributable to shareholders of the Parent	1,762,756	1,759,408
Total assets	2,538,185	2,493,585
	2019	2018
	RMB	RMB
Earnings per share		
Basic RMB	0.002	0.022

CHAIRMAN'S STATEMENT

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

On behalf of the board (the “Board”) of directors (the “Directors”) of the Company, I am pleased to present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 (the “Year” or the “Reporting Period” or the “Period”).

The year 2019 has been a challenging year for the Company. We believe that the Group is on the right track to restore itself back to its full potential, and that the steps we are taking, including the hard work that goes behind them, will translate into sustainable growth and profitability, thereby creating value for all Shareholders in year 2020.

DEVELOPMENT OF THE PRC GAS SECTOR

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

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

In the “13th Five – Year Plan”, natural gas shall be the main source of energy in the future and shall lead the energy market in the future. Natural gas shall mitigate the energy shortage and environmental pollution of the PRC. It is also an ideal energy for sustainable development.

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

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT

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

PROSPECTS

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

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

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

APPRECIATION

I would like to take this opportunity to thank the Group's shareholders, customers and business associates for their continuing supports and the Group's staff for their diligence and contribution during the past year. We are a company with a qualified and professional working team and I look forward to a more rewarding 2020 for the Group's shareholders.

Zhao Wei
Chairman

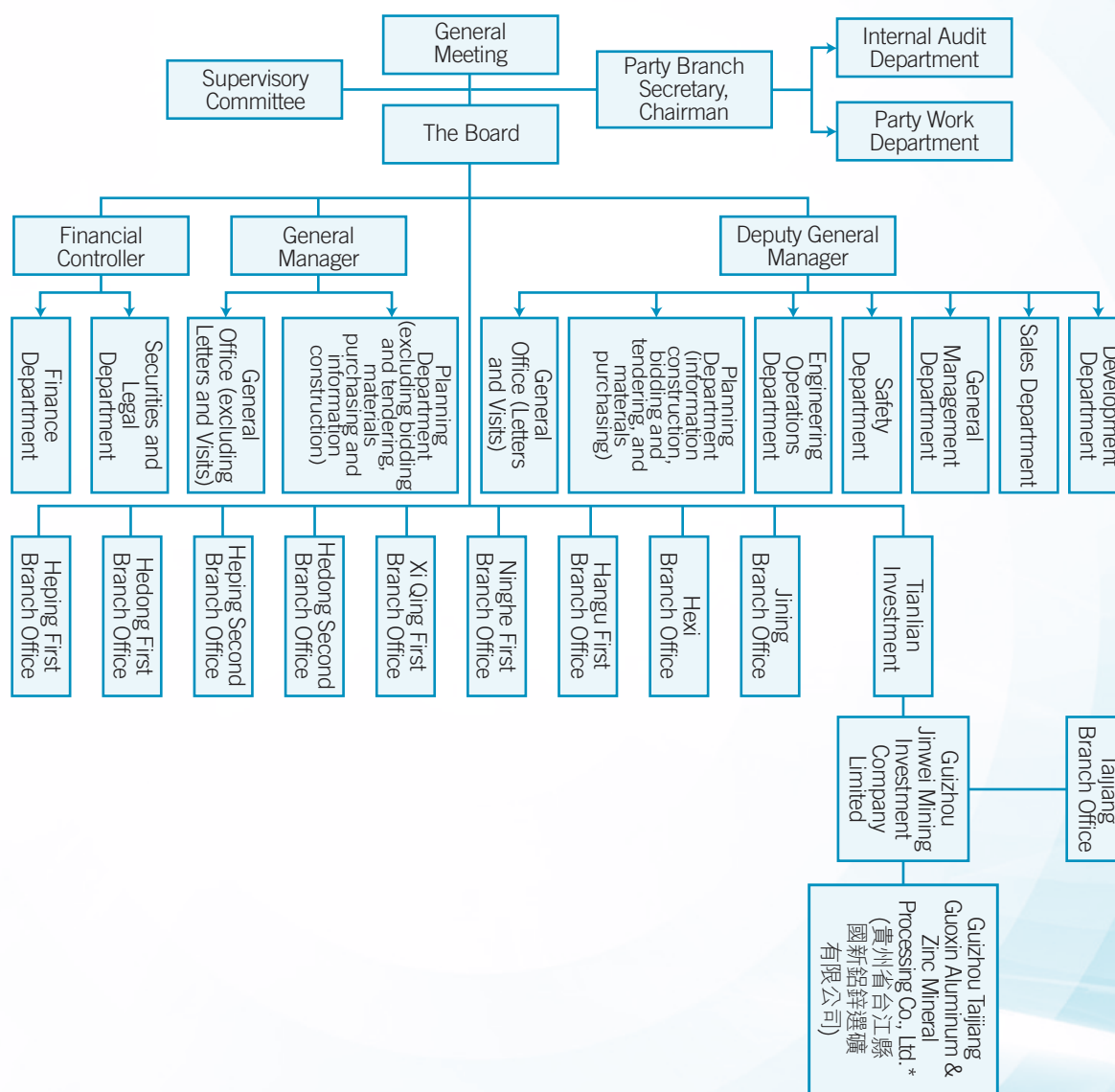
The PRC, 27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

The year ended 31 December 2019 was a challenging year for the Group to develop its natural gas business. We believe that the Group will strive to achieve a more satisfactory result for the Group's shareholders in year 2020.

MANAGEMENT STRUCTURE

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



* For identification purposes only

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the year of 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, exploring new gas users and, on the other hand, enhancing internal control and cost management, as well as taking the initiative to optimise management in business development, daily operations and compliance matters.

Principal Risks and Uncertainties

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Key Relationships

(i) Employees

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

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

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

(ii) Suppliers

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

(iii) Clients

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

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Policies

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

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

Compliance with Laws and Regulations

The Group's operations are mainly carried out in the PRC while the Company itself is listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong, including but not limited to the Listing Rules, the Company Law of the PRC and the Regulation on the Administration of Urban Gas (《城鎮燃氣管理條例》). During the Year, as far as the Board and management are concerned, the Group has complied in all material aspects with the relevant laws and regulations which have significant impact on its business and operation.

Future Business Developments

In 2020, the Board will strive to bring vitality and innovation to the Company by deepening the promotion of value thinking way and efficiency-oriented concept, as well as enhancing corporate governance in compliance with law so as to take the Company's operation to a new level.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Year, the Group reported a revenue of approximately RMB1,501,277,000 (2018: approximately RMB1,519,526,000), representing a decrease of approximately 1% as compared with the year ended 31 December 2018 (the “Previous Year”). The gross profit margin decreased from approximately 2.26% for the Previous Year to a loss of approximately 1.24% for the Year. The profit before tax from continuing operations for the year ended 31 December 2019 amounted to approximately RMB4,238,000 (2018: approximately RMB53,215,000), representing a decrease of approximately 92% from the Previous Year.

The decline in financial performance of the Group was mainly attributable to: (i) a decrease in the gas connection income as the property market in the Company’s governing areas was relatively sluggish for the year of 2019 and there were fewer newly completed property projects in these areas, leading to a decrease in demand of piped gas connection service from the Group; and (ii) an increase in the unit purchase price of pipeline gas due to the shortage of upstream gas supply resources. In the coming financial 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 Year, the Group has continued to implement its formulated development strategies to sell piped gas and provide piped gas connections to the users in the Group’s operational locations in Tianjin and Jining, Inner Mongolia. Sales of piped gas is the major source of income for the Group, which is followed by gas connection, and sales of gas appliances and others.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group is generally funded by equity financing.

As at 31 December 2019, the Group had cash and cash equivalent of approximately RMB457,658,000 which was principally denominated in RMB (2018: RMB511,286,000), and the Group had no bank borrowings.

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

The Group’s gearing ratio (total liabilities to total asset ratio) as at 31 December 2019 was approximately 0.31 (as at 31 December 2018: approximately 0.30).

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Board has adopted a policy for investment that on the premises that the Group can carry on its operations normally, for the purpose of increasing the utilisation of capital, the Group intends to purchase principal-guaranteed wealth management products and structured deposit 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 and structured deposit 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 (the “Articles”) and other applicable laws and regulations.

As at 31 December 2019, the “held-for-trading financial assets” balance was RMB402,665,901.82, which represented the total fair value amount from the subscriptions of wealth management products and interest rate-linked structured deposit products issued by (i) Ping An Bank Co., Ltd. (平安銀行股份有限公司) (“Ping An Bank”), which was announced on 25 October 2019 (the “Ping An Bank Announcement”) and (ii) China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) (“Minsheng Bank”) which was announced on 31 October 2019 (the “Minsheng Bank Announcement”, together with Ping An Bank Announcement, the “Wealth Management Product Announcements”), respectively. Details of held-for-trading financial assets are set out in note V.2 to the financial statements.

Each of Ping An Bank and Minsheng Bank is a licensed bank established under the laws of the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, the fair value of each wealth management product and interest rate-linked structured deposit 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 Product Announcements. The table below sets out the fair value of the existing wealth management product and interest rate-linked structured deposit product as at 31 December 2019, its relative size to the total asset as at 31 December 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 Product Announcement and the realisation of the return receivable from each wealth management product and interest rate-linked structured deposit product.

Wealth Management Product Announcements	Amount of principal RMB	Fair value as at 31 December 2019 RMB	Size of principal subscription amount relative to the total asset of the Group as at 31 December 2019 %	Size of principal subscription amount relative to the total asset of the Group as at the date of subscription %	As at 31 December 2019, the expected annualised rate of return in accordance with the disclosure of each Wealth Management Product Announcement %	Realisation of the return receivable from each wealth management product and interest rate-linked structured deposit product
Ping An Bank Announcement	200,000,000.00	201,395,068.49	7.88 <i>(Note 1)</i>	7.00 <i>(Note 2)</i>	3.80 <i>(Note 3)</i>	Unrealised <i>(Note 4)</i>
Minsheng Bank Announcement	200,000,000.00	201,270,833.33	7.88 <i>(Note 1)</i>	7.00 <i>(Note 2)</i>	3.75 <i>(Note 3)</i>	Unrealised <i>(Note 4)</i>

MANAGEMENT DISCUSSION AND ANALYSIS

Notes

- 1 The total assets figure used as the denominator to calculate the relative size of each subscription to the Group's total asset as at 31 December 2019, represents the audited total assets of the Group as at 31 December 2019 of RMB2,538,184,952.44.
- 2 The total assets figure used as the denominator to calculate the relative size of each subscription to the Group's total asset as at the date of subscription for each wealth management product and interest rate-linked structured deposit product, represents the unaudited total assets of the Group as at 30 June 2019 of RMB2,858,796,326.95 published in the interim results announcement of the Company for the six months ended 30 June 2019.
- 3 This figure represents the expected annualised rate of return based on the performance of the underlying link (i.e. 3-month USD LIBOR interest rate) of each wealth management product and interest rate-linked structured deposit product.
- 4 In accordance with each of the Wealth Management Product Announcements, the return from each of the wealth management product and interest rate-linked structured deposit product is not redeemable before the maturity date, and each of the wealth management product and interest rate-linked structured deposit product is undue as at 31 December 2019, as such the return arising from the wealth management product and interest rate-linked structured deposit product has not been realised until their respective maturity dates.

According to the terms of each agreement of the wealth management products and interest rate-linked structured deposit products, no dividend will be paid.

Save as disclosed in this report, the Group has no significant investment, or any material acquisitions or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liability or guarantee (2018: Nil).

CHARGES ON THE GROUP'S ASSETS

There was no charges on the Group's assets as at 31 December 2019 and 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

STAFF AND EMOLUMENT POLICY

As at 31 December 2019, the Group had a workforce of 787 full-time employees (2018: 812). The total employee costs were approximately RMB128,743,133 (2018: RMB127,080,146).

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group participated in a defined contribution plan, comprising of benefit plans pension insurance and unemployment insurance, managed by the local government. The only obligation of the Group with respect to such contribution plan is to make the specified contributions under the plan.

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 framework documents such as the Plan of Action for the Prevention of Air Pollution (《大氣污染防治行動計劃》), Detailed Rules for Implementation of the Action Plans for the Prevention and Control of Air Pollution in the Beijing-Tianjin-Hebei Region and the Surrounding Regions (《京津冀及周邊地區落實大氣污染防治行動計劃實施細則》), and the Plan for Strengthening the Prevention and Control of Atmospheric Pollution in Energy Industry (《能源行業加強大氣污染防治工作方案》). In November 2014, China and the United States 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 Utilisation Policy (《天然氣利用政策》) issued in 2013 further indicates the future development direction for China's natural gas utilisation. In urban gas field, China's new urbanisation 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 metres in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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 maximise 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 maximise 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, optimise management methods and means and promote the pre-control safety management, so as to ensure safe operation; and
- continue to strengthen the talent team construction, drive management change with strategic change, expand existing businesses with incremental business and inspire employees with entrepreneurial teams, so as to contribute a chain reaction to the corporation.

SIGNIFICANT EVENTS

Continuing connected 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 the year ended 31 December 2019 and each of the two years ending 31 December 2020 and 31 December 2021 is RMB30,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Renewal of continuing connected transactions in relation to gas transportation

On 8 March 2019, 津燃華潤燃氣有限公司 (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 31 December 2019 were RMB7,600,000 and RMB9,120,000, and for the year ending 31 December 2020 is RMB10,950,000, respectively.

Jinran China Resources is held as to 51% by Tianjin Gas 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 inclusive).

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 inclusive). 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 inclusive).

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

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

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 Yumin is a subsidiary of Tianjin Gas and hence 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 announcement of the Company dated 1 April 2019.

Continuing connected transaction in relation to gas supply

Renewal of the gas supply contract dated 20 September 2018

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. In any event, the total transaction amount (tax inclusive) under the 2019 Gas Supply Contract for the year ended 31 December 2019 should 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 ended 31 December 2019 exceeds 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 announcements of the Company dated 26 April 2019 and 2 August 2019, and the circular of the Company dated 3 June 2019.

Supplemental agreement to the 2019 Gas Supply Contract

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Renewal of the 2019 Gas Supply Contract

As the 2019 Gas Supply Contract has expired on 31 December 2019, on 11 November 2019, the Company and Jinran China Resources entered into the conditional gas supply contract for the period from 1 January 2020 to 31 December 2020 (the “2020 Gas Supply Contract”). The total transaction amount (tax inclusive) under the 2020 Gas Supply Contract for the year ending 31 December 2020 shall not exceed RMB1,879,000,000.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the annual cap for the 2020 Gas Supply Contract for the year ending 31 December 2020 exceeds 5%, the 2020 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 11 November 2019 and the circular of the Company dated 11 December 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 high pressure gas pipelines extending from the intersection of Dong Jin Road (東金路) and Yang Bei Road (楊北公路) in Dongli District (東麗區), Tianjin to the intersection of Xin Gang No.8 Road (新港八號路) and Yue Jin Road (躍進路) in Tanggu District (塘沽區), Tianjin, measuring approximately 30 km, which is owned and managed by the Company, to Binhai Gas Group for natural gas transmission for the period from 1 May 2016 to 30 April 2019. Pursuant to the Gas Pipeline Lease Agreement, the 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 “Renewed Gas Pipeline Lease Agreement”). The new annual caps (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), is the maximum gas pipeline lease fee payable by Binhai Gas Group to the Company pursuant to the Gas Pipeline Lease Agreement under the Renewed Gas Pipeline Lease Agreement.

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 Renewed Gas Pipeline Lease Agreement constitutes a continuing connected transaction of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Renewed 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 announcement of the Company dated 30 April 2019.

Continuing connected transaction in relation to Entrusted Purchase Agreement

On 5 December 2019, the Company entered into an entrusted purchase agreement (the "Entrusted Purchase Agreement") with Jinran China Resources, pursuant to which the Company entrusted Jinran China Resources to purchase Internet of Things gas metres for the Company's plan for replacement of the existing gas metres for the Company's users in Heping District (和平區), Hedong District (河東區), Xiqing District (西青區), Ninghe District (寧河區), Hangu District (漢沽區) and part of the Jinnan District (津南區) in Tianjin with the Internet of Things gas metres for the period commencing on 5 December 2019 and ending on 31 December 2021. The aggregate purchase price under the Entrusted Purchase Agreement for the period from 5 December 2019 to 31 December 2019, and the years ending 31 December 2020 and 31 December 2021 shall not exceed RMB38,556,350, RMB49,999,600 and RMB49,999,600, respectively.

As the highest applicable percentage ratio under the Listing Rules for the annual cap for the purchase of gas metres under the Entrusted Purchase Agreement, on an annual basis, will be more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirements.

For details, please refer to the announcement of the Company dated 5 December 2019.

Subscription of Wealth Management Products and Structured Deposit 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 China Guangfa Bank Co., Ltd.*, Tianjin Branch (廣發銀行股份有限公司天津分行) 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) for a term of investment from 27 March 2019 to 24 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Qilu Bank Company Limited*, Tianjin Huayuan Branch (齊魯銀行股份有限公司天津華苑支行) 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) for a term of investment from 3 April 2019 to 30 September 2019.

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

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

Everbright Bank Structured Deposit Agreement

On 11 September 2019, the Company entered into the structured deposit agreement (the "Everbright Bank Structured Deposit Agreement") with China Everbright Bank Co., Ltd., Tianjin Branch* (中國光大銀行股份有限公司天津分行) to subscribe for the structured deposit product with a fixed interest rate of 3.90% per annum in the subscription amount of RMB200 million (equivalent to approximately HK\$222 million as at 11 September 2019) for a term of deposit from 11 September 2019 to 11 March 2020.

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

For details, please refer to the announcement of the Company dated 11 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Ping An Bank Structured Deposit Agreement

On 25 October 2019, the Company entered into a structured deposit agreement (the “Ping An Bank Structured Deposit Agreement”) with Ping An Bank to subscribe for an interest rate-linked structured deposit product named Structured Corporate Deposits (100% Principal-guaranteed and interest rate linked) Product of Ping An Bank* (平安銀行對公結構性存款(100%保本掛鈎利率)產品) in the subscription amount of RMB200 million (equivalent to approximately HK\$220 million as at 25 October 2019) for a term of deposit from 25 October 2019 (inclusive) to 24 April 2020 (exclusive).

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

For details, please refer to the announcement of the Company dated 25 October 2019.

Minsheng Bank Structured Deposit Agreement

On 31 October 2019, the Company entered into the structured deposit agreement (the “Minsheng Bank Structured Deposit Agreement”) with Minsheng Bank to subscribe for a structured deposit product named Interest Rate-linked Structured Deposits Product* (掛鈎利率結構性存款產品) in the subscription amount of RMB200 million (equivalent to approximately HK\$220 million as at 31 October 2019) for a term of deposit from 31 October 2019 (inclusive) to 8 April 2020 (exclusive).

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

For details, please refer to the announcement of the Company dated 31 October 2019.

Amendments of the Articles

The Shareholders had approved a special resolution at an extraordinary general meeting of the Company held on 5 March 2019 to amend the Articles 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

IMPORTANT EVENT(S) AFTER REPORTING PERIOD

The impact of Coronavirus Disease 2019 (“COVID-19”)

After the outbreak of COVID-19 (the “COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Company will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Company. As at the date of this report, the Company was not aware of any material adverse impact on the Group’s operations and financial performance as a result of the COVID-19 outbreak.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

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

Executive Directors

Mr. Zhao Wei (趙維), aged 56, is the chairman of the Board and an executive Director. He graduated from the Industrial Management Engineering Department (工業管理工程系) of Tianjin University of Technology* (天津理工大學) (formerly known as Tianjin Institute of Technology* (天津理工學院)) majoring in engineering management in 1986, and graduated from Party School of the Central Committee of the Communist Party of China (“CPC”) (中共中央黨校) as an on-the-job graduate in legal theory in 2009. He is also a senior political officer and senior economist. From 1986 to 2008, Mr. Zhao held various positions at Tianjin Gas Corporation* (天津市煤氣總公司), Division of the Urban and Rural Planning and Construction and Transportation Committee of the Tianjin Committee of the CPC* (天津市委城建工委幹部處), and Tianjin Pipeline Engineering Group (天津市管道工程集團). In 2008, he joined Tianjin Gas (the controlling shareholder of the Company) as the secretary of the disciplinary committee, and later served as deputy Party secretary and the secretary of the disciplinary committee in Tianjin Gas from May 2011 to 2013. He served as the deputy Party secretary and the secretary of the disciplinary committee in Jinran China Resources (a subsidiary of Tianjin Gas) from February 2013 to February 2015, and served as the deputy chief trainer and managing vice president of the Party School of the Group in Tianjin Energy (the intermediary holding company of Tianjin Gas) from February 2015 to February 2017. Mr. Zhao has been the Party secretary and Chairman of Binhai Gas Group (a subsidiary of Tianjin Gas) since 2017. He was appointed as the executive Director on 26 June 2018.

Ms. Tang Jie (唐潔), aged 52, is an executive Director. She graduated from the Tianjin Institute of Finance (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學)), majoring in accounting, in 1991. She is one of the promoters of the Company and had been working for the Company as an accountant and deputy general manager in the account department since December 1998. She was appointed as a deputy general manager of the Company in 2001. She was appointed as an executive Director on 28 December 2001 and is responsible for making material decisions of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Quan Hong (王全鴻), aged 56, is an executive Director and the general manager of the Company. He graduated from Tianjin Open University (天津廣播電視大學) in 1988, majoring in industrial enterprise management. He was educated at the Party School of the Central Committee of the Communist Party of China (中共中央黨校) majoring in political science and law from 1998 to 2000. He was also educated at Tianjin Chengjian University (天津城建大學), formerly known as Tianjin Urban Construction Institute (天津城市建設學院), majoring in building environment and equipment engineering from March 2007 to July 2009. He is a senior political worker and a safety engineer. From 2003 to 2013, Mr. Wang held various positions in Tianjin Gas. From November 2013 to September 2015, he served as the manager and deputy manager of the safety and environmental protection department as well as the director of the safety supervision office in Tianjin Energy. From September 2015 to August 2016, he was the deputy manager of Tianjin Gangyi Heat Supply Company Limited (天津港益供熱有限責任公司), being a subsidiary of Tianjin Gas. From August 2016 to March 2017, he was served as the general manager and secretary of the branch of party of Tianjin Binhai China Petroleum Gas Company Limited (天津濱海中油燃氣有限責任公司), a subsidiary of Tianjin Gas. Since 2017, he has served as the deputy manager in Tianjin Heat Company Limited (天津市熱力有限公司), a subsidiary of Tianjin Gas. He was appointed as the general manager of the Company on 19 April 2018 and was appointed as the executive Director on 26 June 2018.

Non-executive Directors

Mr. Hou Shuang Jiang (侯雙江), aged 51, is a non-executive Director. He was awarded with a bachelor's degree in chemical engineering from Tianjin University of Technology* (天津理工大學) (formerly known as Tianjin Institute of Technology* (天津理工學院)) in July 1991. Mr. Hou has accumulated more than 19 years of experience in the finance and capital markets sector. Prior to joining the Company, Mr. Hou worked as an officer in 中鋼集團天津地質研究院 (Sinosteel Tianjin Geological Academy*, formerly known as 冶金部天津地質調查所 (Ministry of Metallurgical Industry Tianjin Geological Academy*)) from July 1991 to April 1996, the deputy manager of the sales department of 天津匯金期貨經紀公司 (Tianjin Huijin Futures Brokerage Company*) in Zhengzhou from April 1996 to December 1999. From December 1999 to May 2000, Mr. Hou acted as an investment consultant of Yingda Securities Co., Ltd.* (英大證券有限責任公司). He was an investment consultant of Bohai Securities Co., Ltd* (渤海證券股份有限公司) from May 2000 to January 2013. From January 2013 to November 2013, Mr. Hou was the manager of the capital operation department of Tianjin Energy. Mr. Hou has been the manager of the capital management department of Tianjin Energy, the intermediary holding company of Tianjin Gas since November 2013. He is a director of 津燃貿易諮詢有限公司 (Jinran Trading Consultancy Company Limited*), a wholly-owned subsidiary of Tianjin Gas, as well as a director and/or supervisor of one or more subsidiaries of Tianjin Energy. He was appointed as an executive Director on 3 March 2014 and was redesignated as the non-executive Director on 26 June 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Jin (王勁), aged 51, is a non-executive Director. He graduated from the Tianjin Institute of Finance (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學)), majoring in accounting in 1992 and graduated from Tianjin University (天津大學) majoring in industrial engineering in 2012. He is also an assistant accountant. Mr. Wang served as assistant to General Manager and Deputy General Manager in Tianjin Automotive Gear Co., Ltd.* (天津汽車齒輪有限公司) from 1992 to 2009. He was the deputy manager of the capital management department of Tianjin Energy from March 2009 to April 2010, and served as the President of Tianjin Seasun Electronics Industry Co., Ltd. (新巨升電子工業有限責任公司) and the secretary of general Party branch and general manager of Tianjin Jinneng Battery Technology Co., Ltd.* (天津市津能電池科技有限公司) (a subsidiary of Tianjin Energy) from April 2010 to 2015. Mr. Wang was the deputy general manager of Binhai Gas Group (a subsidiary of Tianjin Gas) from September 2015 to April 2017 and has been the deputy manager of the capital management department of Tianjin Energy from April 2017 to May 2019. He has served as the branch secretary, executive director and manager of Tianjin Jinran Real Estate Investment Co., Ltd.* (天津市津燃置業投資有限公司) since May 2019. He was appointed as the non-executive Director on 26 June 2018.

Mr. Zhao Heng Hai (趙恒海), aged 51, is a non-executive Director. He graduated from the School of Architecture of Tianjin University (now known as Tianjin Chengjian University (天津城建大學)), majoring in urban gas and heat energy engineering in 1990 and is a senior engineer. From 1990 to 2002, Mr. Zhao held various positions at Tianjin Gas Corporation and Tianjin Natural Gas Company (天津市天然氣公司). From December 2002 to February 2013, Mr. Zhao was the deputy director and director of Business Management Department (營業管理部) of Tianjin Gas, and was the director of the Business Management Department and the director of Anti-piracy Office (打盜辦) of Jinran China Resources (a subsidiary of Tianjin Gas) from February 2013 to February 2015. He has been the deputy manager of Gas Industry Department (燃氣產業部) of Tianjin Energy since February 2015. He was appointed as the non-executive Director on 26 June 2018.

Independent Non-executive Directors

Mr. Zhang Ying Hua (張英華), aged 70, is an independent non-executive Director. Mr. Zhang graduated from Tianjin University of Finance and Economics (天津財經大學) (“TUFU”), majoring in the industrial management, in 1977. He obtained a master degree of Business Administration from the Oklahoma City University in 2001. He had been the deputy dean of the Faculty of Business, the head secretary general of the Communist Party of the Department of Corporate Management of TUFU from 2004 to 2007, and was the dean of the Faculty of Business of TUFU from 2007 and until 2010. Since then, Mr. Zhang has been a professor and doctoral advisor of the Department of Corporate Management of the Faculty of Business of TUFU, the dean of the Management Faculty and head of the management department of Zhujiang Management College* (珠江學院) of TUFU. He was awarded special subsidy by the State Council in 2009 to reward his contribution to the development of the study of society sciences to the PRC. He was appointed as the independent non-executive Director on 16 June 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yu Jian Jun (玉建軍), aged 56, is an independent non-executive Director. Mr. Yu graduated from the School of Architecture of Tianjin University* (now known as Tianjin Chengjian University (天津城建大學)), majoring in gas engineering, in 1986. Mr. Yu is a professor and master advisor. He currently serves as a deputy head of the Department of Environment and Equipment, Faculty of Energy and Safety Engineering, Tianjin Chengjian University*. He is a member of the China City Gas Society* (中國城市燃氣學會) and a member of its Technology Committee. Mr. Yu is the deputy head of the City Construction Committee of Tianjin Democratic Construction Association* (天津民主建國會城建委員會), and an expert appointed by the Planning Office of Tianjin City* (天津市建設管理委員會). He was appointed as the independent non-executive Director on 16 June 2015.

Mr. Guo Jia Li (郭家利), aged 62, is an independent non-executive Director. Mr. Guo graduated from TUFU, majoring in Accounting, in August 1984. He had worked for Naval Air Force Jiaoxian Station of People's Liberation Army, and in the Tianjin City Hangu District Construction Company* (天津市漢沽區建築公司) from 1976 to 1980. Mr. Guo was the project manager of Tianjin Accounting Firm* (天津會計師事務所) from September 1984 to May 1995 and was the project manager of Tianjin Binhai Accounting Firm* (天津濱海會計師事務所) from May 1995 to May 1996. He was the deputy chief accountant of Tianjin Jiwei Accounting Firm* (天津吉威會計師事務所) from May 1996 to March 1997 and the chief accountant of Tianjin Licheng Accounting Firm* (天津利成會計師事務所) from March 1997 to January 2001. He served as chief accountant of the Tianjin branch of RSM Nelson Wheeler* (中瑞岳華會計師事務所) from January 2001 to November 2011. From November 2011 to October 2019, Mr. Guo was a partner of Tianjin branch of Shinewing Certified Public Accountants* (信永中和會計師事務所) (Special Ordinary Partnership). He has retired from the partnership and ceased to be the partner since October 2019. He was appointed as the independent non-executive Director on 16 June 2015.

SUPERVISORS

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

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

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Shareholders' Representative Supervisor

Mr. Yang Hu Ling (楊虎嶺), aged 59, is a Shareholders' representative Supervisor. Mr. Yang graduated from Jiangnan University* (江南大學) (formerly known as Wuxi Light Industry College* (無錫輕工業學院)) in July 1983 with a bachelor degree, majoring in Chemical Engineering and is a Chinese certified public accountant. Since August 1983, he worked in The Tianjin Municipal Economic Committee* (天津市經濟委員會), The First Light Industry Bureau of Tianjin City* (天津市第一輕工業局), The Tianjin Municipal Finance Bureau* (天津市財政局), Tianjin Huajin Accounting Firm* (天津華錦會計師事務所), Tianjin Accounting Firm and Tianjin Wuzhou Certified Public Accountants* (天津五洲聯合合夥會計師事務所). Mr. Yang held various positions in Tianjin Jinneng from December 2001 to November 2013, and was the deputy manager of the discipline supervision chamber (audit and inspection department) of Tianjin Energy from November 2013 to December 2014. He has been the deputy head/manager of the discipline inspection chamber (audit department) of Tianjin Energy since December 2014, and the deputy manager of the audit department of Tianjin Energy since January 2017. Mr. Yang is also a director and/or supervisor of one or more subsidiaries of Tianjin Energy. He was appointed as a Shareholders' representative Supervisor on 16 June 2015.

Independent Supervisors

Ms. Xu Hui (許暉), aged 53, is an independent Supervisor. Ms. Xu has obtained a doctoral degree in Management in Nankai University in June 2002 and is a professor and postdoctoral fellow in the Project Management Postdoctoral Research Workshop* (管理工程博士後研究工作站) of Tianjin University. From January 1997, Ms. Xu has been teaching in the Department of Marketing, Faculty of Business, Nankai University. She is a member of the China Association of International Trade* (中國國際貿易學會) and the Tianjin Association of International Trade* (天津市國際貿易學會). She was appointed as an independent Supervisor on 16 June 2015.

Mr. Liu Zhi Yuan (劉志遠), aged 56, is an independent Supervisor. Mr. Liu graduated from Qinghai Normal University* (青海師範大學) (formerly known as of Qinghai Normal College* (青海師範學院)), majoring in physics, in 1982. He obtained master and doctorate degree in Business Administration from Nankai University* (南開大學) in 1987 and 1994 respectively. Since June 1987, Mr. Liu has been working in the Faculty of Business, Nankai University and he was a deputy dean of the Faculty from 1997 to 2005. He currently serves as an independent director of Qingdao Hisense Electronics Co., Ltd.* (青島海信電器股份有限公司) (SH Stock Code: 600060), Zhejiang China Commodities City Group Co., Ltd.* (浙江中國小商品城集團股份有限公司) (SH Stock Code: 600415) and Tianjin Realty Development (Group) Co., Ltd.* (天津市房地產發展(集團)股份有限公司) (SH Stock Code: 600322), whose shares are listed on the Shanghai Stock Exchange (the "SSE"). Mr. Liu also currently serves as an independent director of Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司) (SZ Stock Code: 000897), whose shares are listed on the Shenzhen Stock Exchange (the "SZSE"). In addition, Mr. Liu has also served as an independent executive director of Shanghai Fudan Forward Science & Technology Company Limited* (上海復旦復華科技股份有限公司) (SH Stock Code: 600624), whose shares are listed on the SSE, from 30 June 2009 to 27 October 2015; an independent executive director of Luxshare Precision Industry Co., Ltd.* (立訊精密工業股份有限公司) (SZ Stock Code: 002475), whose shares are listed on SZSE, from 22 February 2009 to 17 April 2015; and an independent executive director of Tianjin Motor Dies Co., Ltd.* (天津汽車模具股份有限公司) (SZ Stock Code: 002510). He was appointed as an independent Supervisor on 22 June 2016.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Staff Representative Supervisors

Ms. Hao Li (郝力), aged 50, is a staff representative Supervisor. Ms. Hao graduated from the School of Tianjin Committee of the Communist Party (中共天津市委黨校), majoring in economics and management, in 2005. She worked in the planning department of Tianjin Gas from 1988 to 2005, and subsequently joined the Company and worked in the management department. She was appointed as a Supervisor on 25 June 2007.

Ms. You Hui Yan (游惠燕), aged 37, is a staff representative Supervisor. She graduated from Hebei University of Technology majoring in communications engineering in 2006 and obtained a master's degree in accounting from Nankai University in 2015. Since 2006, she has worked for Tianjin Jinneng Battery Technology Co., Ltd.* (天津市津能電池科技有限公司) and Tianjin Liquefied Natural Gas Co., Ltd. (天津液化天然氣有限責任公司). Ms. You has been working in the Internal Audit Department of the Company since May 2017. She was appointed as a Supervisor on 26 June 2018.

COMPANY SECRETARY

Mr. Lau Kwok Yin (劉國賢), aged 35, is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He has over 10 years' experience in corporate secretarial services, finance and banking operations. He holds a Bachelor of Business Administration degree in Accounting and Finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst charterholder. He was appointed as the Company Secretary on 24 May 2018.

SENIOR MANAGEMENT

Mr. Liu Xing Hua (劉興華), aged 36, is the deputy general manager of the Company since 19 April 2018. He graduated from Tianjin University of Science and Technology in 2006, majoring in industrial design and international economics and trade. From October 2008 to November 2015, Mr. Liu had acted as the deputy secretary and deputy manager of the CPC branch in Binhai Gas Group (a subsidiary of Tianjin Gas) and one of its subsidiaries. Since November 2015, he has served as the assistant to general Manager in Binhai Gas Group.

Ms. Sha Cai Ping (沙彩萍), aged 44, is the deputy general manager of the Company since 15 February 2019. She joined Tianjin City Tanggu Gas Co., Limited* (天津市塘沽燃氣有限公司, formerly known as Tianjin City Tanggu Gas Corporation* 天津市塘沽煤氣公司) in 1997 and has undertaken various positions. Among other things, she served as the chairman of the labour union and the assistant to manager from October 2007 to February 2012, and has been appointed as the deputy manager since February 2012. Ms. Sha graduated from the Tianjin Chengjian University (天津城建大學, formerly known as Tianjin Institute of Urban Construction 天津城市建設學院) with a bachelor of engineering degree in July 1997. From September 2005 to July 2008, Ms. Sha attended the graduate school of the Party School of the Central Committee of C.P.C* (中共中央黨校) and specialised in economics law.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. An Li (安麗), aged 46, is the financial controller of the Company since 19 April 2018. She graduated from the school of accounting and auditing in Heilongjiang College of Finance and Political Science (黑龍江財政專科學校) in 1995, majoring in international accounting. She is a Certified Public Accountant. From 1995 to 2014, Ms. An undertook various positions in Harbin Hengchang Decoration Company Limited (哈爾濱橫倉裝飾有限公司), Harbin branch of the TCL Corporation and Heilongjiang branch of Beijing Zhongxingyu Certified Public Accountants (北京中興宇會計師事務所黑龍江分公司). From May 2014 to September 2015, Ms. An was the chief accountant in Binhai Gas Group, a subsidiary of Tianjin Gas. From September 2015 to September 2016, she was the chief accountant of Tianjin Jinneng Binhai New Energy Company Limited (天津津能濱海新能源有限公司). Since September 2016, Ms. An has served as the vice dean of the Tianjin Urban Construction Management & Vocation Technology College.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CODE”)

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

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

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

Details of the Company’s corporate governance are summarised below.

The Board

Roles of Directors

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

Board of Directors

Composition of the Board

As at the date of this report, the Board consists of nine members, comprising three executive Directors namely Mr. Zhao Wei (Chairman), Ms. Tang Jie and Mr. Wang Quan Hong, three non-executive Directors namely Mr. Hou Shuang Jiang, Mr. Wang Jin, and Mr. Zhao Heng Hai, and three independent non-executive Directors namely Mr. Zhang Ying Hua, Mr. Yu Jian Jun and Mr. Guo Jia Li. Biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on page 25 to page 28 of this report.

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

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

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

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

Appointment, re-election and removal of Directors

The Company has established the Nomination Committee on 29 March 2012. The Nomination Committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board.

The Board has adopted its board diversity policy (the “Board Diversity Policy”). Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board. As at the date of this report, the Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors, who come from diversified professional and education backgrounds and one of them is a woman. The Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company’s business.

The Nomination Committee had reviewed the diversity of the Board during the year ended 31 December 2019 and will review the Board Diversity Policy from time to time to ensure that the policy is implemented effectively.

CORPORATE GOVERNANCE REPORT

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

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

Nomination Process

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

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

Selection Criteria

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

CORPORATE GOVERNANCE REPORT

Each of the executive Directors has entered into a service contract, non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from their respective dates of appointment. All the service contracts entered into between the Company and Directors may be terminated by either party by giving at least three months' written notice.

Every Director is subject to re-election on change of session of the Board in accordance with the applicable laws and regulations of the PRC.

Board Meetings and Procedures

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

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

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

Regular Board meetings are held normally every three months, with additional meetings arranged, if and when required. 18 Board meetings were held in 2019. Individual attendance records are set out below.

CORPORATE GOVERNANCE REPORT

Board Meetings and General Meetings Attendance

	No. of Board meetings attended by each Director during the Year 2019	No. of general meetings attended by each Director during the Year 2019
Executive Directors		
Zhao Wei (<i>Chairman</i>)	18	4
Tang Jie	18	4
Wang Quan Hong	18	3
Non-executive Directors		
Hou Shuang Jiang	10	0
Wang Jin	13	0
Zhao Heng Hai	10	0
Independent Non-executive Directors		
Zhang Ying Hua	18	1
Yu Jian Jun	18	1
Guo Jia Li	18	0

Certain Directors were not able to attend the general meetings held in 2019 due to their unavoidable business engagements.

During 2019, the Board has addressed the following major issues, among other things:

1. passing the resolution in respect of withdrawing the enterprise reserve fund and the enterprise development fund;
2. passing the resolution in respect of determining the annual remuneration of the senior management;
3. passing the resolution in respect of entering into of the Pipeline Works Framework Agreement between the Company and Tianjin Energy;
4. passing the resolution in respect of amendments of the Articles of the Company;
5. passing the resolutions in respect of the gas transportation transactions in relation to transmitting natural gas by Jinran China Resources via the Gangnan Pipeline owned and managed by the Company for the three years ending 31 December 2020;

CORPORATE GOVERNANCE REPORT

6. passing the resolutions in respect of purchasing gas meters by the Company from Tianjin Yumin;
7. passing the resolutions in respect of renewal of the Gas Pipeline Lease Agreement entered into between the Company and Binhai Gas Group on 25 April 2016 for a further term of two years;
8. passing the resolutions in respect of entrusting Jinran China Resources by the Company to purchase Internet of Things gas meters for the period commencing on 5 December 2019 and ending on 31 December 2021;
9. passing the resolutions in respect of purchasing natural gas from Jinran China Resources;
10. passing the resolutions in respect of subscription of wealth management products.

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

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

Directors' Duties

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

- A comprehensive director's handbook is issued to every Director, which sets out guidelines on conduct by making reference to the relevant sections of the statutes or the Listing Rules, and reminds Directors of their responsibilities in making disclosure of their interests and potential conflict of interests.
- Orientation programmes are organised for providing induction to new Directors to help them familiarise with the management, business and governance practices of the Company.
- Management provides appropriate and sufficient information to Directors and the committee members in a timely manner to keep them apprised of the latest development of the Group and enable them to discharge their responsibilities. Directors also have independent and unrestricted access to senior executives of the Company.

Corporate Governance Functions

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

CORPORATE GOVERNANCE REPORT

Conduct on Shares dealings

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

The Company, having made specific enquiries to its Directors and Supervisors, confirms that, throughout the Period, all Directors and Supervisors met the criteria laid down in the Model Code.

Independent non-executive Directors

The Company has received from each of the existing independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules.

Directors’ Induction and Continuous Professional Development

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

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

During the Year, the Directors regularly updated and refreshed their knowledge and skills through various means including but not limited to attending management briefings, trainings, seminars, giving speech or attending other professional development like reading articles, researches, journals and legal and regulatory updates provided by the Company. In addition, all Directors have been given guideline materials regarding duties and responsibility of being a director, relevant laws, regulations and rules applicable to directors of listed companies. The Company has received confirmation from all Directors in respect of their training records for the year ended 31 December 2019.

CORPORATE GOVERNANCE REPORT

According to the records provided by the Directors, a summary of training received by the Directors since 1 January 2019 up to 31 December 2019 is as follows:

	No. of training sessions attended/ received by each Director
<hr/>	
<i>Executive Directors</i>	
Zhao Wei (<i>Chairman</i>)	1
Tang Jie	1
Wang Quan Hong	1
<i>Non-executive Directors</i>	
Hou Shuang Jiang	1
Wang Jin	1
Zhao Heng Hai	1
<i>Independent Non-executive Directors</i>	
Zhang Ying Hua	1
Yu Jian Jun	1
Guo Jia Li	1

CORPORATE GOVERNANCE REPORT

Board Committees

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

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

Save for the Nomination Committee whose members comprise of an executive Director (namely Mr. Zhao Wei), and non-executive Directors, other Board Committees members comprise of only non-executive Directors. The chairmen of the respective committees report regularly to the Board, and, as appropriate, make recommendations on matters discussed. The governance structure and meetings attendance record of the Committees are set out below.

	Major roles and functions	Composition during 2019	Attendance in 2019
Audit Committee	• To make recommendation to the Board on the appointment, reappointment and removal of external auditor	Guo Jia Li (<i>Chairman</i>) (<i>independent non-executive Director</i>)	100%
		Zhang Ying Hua (<i>independent non-executive Director</i>)	100%
	• To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards	Yu Jian Jun (<i>independent non-executive Director</i>)	100%
	• To develop and implement policy on the engagement of an external auditor to supply non-audit services and monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and significant financial reporting judgments contained in them		
	• To oversight the Company's financial reporting system, risk management and internal control systems		

Total number of meetings held in 2019: 2

CORPORATE GOVERNANCE REPORT

	Major roles and functions	Composition during 2019	Attendance in 2019
Remuneration Committee	<ul style="list-style-type: none"> To consult the chairman of the Board about their remuneration proposals for other executive Directors 	Zhang Ying Hua <i>(Chairman)</i> <i>(independent non-executive Director)</i>	100%
	<ul style="list-style-type: none"> To make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management 	Guo Jia Li <i>(independent non-executive Director)</i>	100%
	<ul style="list-style-type: none"> To determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management 	Hou Shuang Jiang <i>(non-executive Director)</i>	100%

Total number of meetings held in 2019: 2

Nomination Committee	<ul style="list-style-type: none"> To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis 	Zhao Wei <i>(Chairman)</i> <i>(executive Director)</i>	100%
	<ul style="list-style-type: none"> To identify individuals suitably qualified to become Board member and assess the independence of independent non-executive Directors 	Zhang Ying Hua <i>(independent non-executive Director)</i> Yu Jian Jun <i>(independent non-executive Director)</i>	100%

Total number of meetings held in 2019: 1

CORPORATE GOVERNANCE REPORT

Audit Committee

During 2019, the Audit Committee met 2 times and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2018 and interim financial results and report for the six months ended 30 June 2019;
2. reviewed the internal audit department's report regarding the reviewing and procedures of the internal control and risk management of the Company; and
3. considered and discussed the resignation and appointment of auditors and provided advice thereon to the Board.

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

Remuneration Committee

During 2019, the Remuneration Committee met 2 times and performed the major works as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the Directors and senior management in the Year under review;
2. determined the remuneration packages of individual executive Directors and senior management;
3. reviewed and confirmed no Directors is involved in deciding his own remuneration, no compensation claimed to the Company by Directors and senior management for any loss or termination of office or appointment and no compensation arrangements relating to dismissal or removal of Directors for misconduct; and
4. approved the terms of executive Directors' service contracts.

CORPORATE GOVERNANCE REPORT

Nomination Committee

During 2019, the Nomination Committee met 1 time and performed the major works as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;
2. assessed the independence of all independent non-executive Directors; and
3. examined the Board in compliance with the requirements of the Board Diversity Policy.

Remuneration of Directors and Senior Management

The remuneration of the Directors and Supervisors paid by the Group for the Year are set out in note XII.3 to the financial statements of this report.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. For the year ended 31 December 2019, save as Ms. Tang Jie, Mr. Guo Jia Li, Mr. Yu Jian Jun and Mr. Zhang Ying Hua, all Directors waived their directors' remuneration.

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

	Number of Individuals:
RMB100,000 to RMB500,000	4

Company Secretary

The senior manager of SWCS Corporate Services Group (Hong Kong) Limited Mr. Lau Kwok Yin has been appointed as the company secretary of the Company (the "Company Secretary") on 24 May 2018 and has taken no less than 15 hours of relevant professional training during the Year and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The primary contact person of Mr. Lau Kwok Yin at the Company is Ms. Zhang Ting Ting, who is in charge of legal works at the Company.

CORPORATE GOVERNANCE REPORT

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

Accountability and Audit

Financial Reporting

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

- selected suitable accounting policies and applied them consistently; and
- made judgements and estimates that are prudent and reasonable; and ensured the accounts are prepared on the going concern basis.

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

A statement by the auditors about their reporting responsibilities is included in the Auditor's Report on page 73 to page 78. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

The Board, through the Audit Committee, has reviewed the effectiveness of the Company's system of risk management and internal controls over financial, operational and compliance issues for the year 2019. The Audit Committee concluded that, in general, the Company has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the regular review of the Audit Committee, is satisfied that the Group in 2019, fully complied with the code provisions on risk management and internal controls as set forth in the Code.

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

External Auditors

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

- determined the framework for the type and authorisation of non-audit services for which the external auditors may provide. In general, the engagement of the external auditors to perform non-audit services is prohibited except for tax-related services; and
- agreed with the Board on the policy relating to the hiring of employees or former employees of the external auditors and monitored the applications of such policy.

During the Year, the fees paid to the Company's external auditors for audit services amounted to approximately RMB1,000,000 and for non-audit related activities (which are the fees for agreed upon procedures on accounts) amounted to approximately RMB250,000.

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

Dividend Policy

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

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

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

CORPORATE GOVERNANCE REPORT

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

- (i) the results of operations of the Group;
- (ii) cash flows of the Group;
- (iii) financial position of the Group;
- (iv) capital requirements of the Group;
- (v) business strategies and developments of the Group; and
- (vi) other factors that the Board deems relevant.

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

Communications with Shareholders and Investors

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

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

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

Address:

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

Tel No.: (86) 022-87569972

Fax No.: (86) 022-87569971

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY MEETING

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

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

- (1) Shareholder(s) who hold(s) in aggregate 10 percent or more of the shares vested with voting rights in such a meeting may sign one or several written requisitions in the same form requesting the Board to convene an extraordinary general meeting or a class Shareholders' meeting, and the subject matter of the meeting shall be specified. Upon receipt of the said written requisitions, the Board shall convene an extraordinary general meeting or a class Shareholders' meeting as soon as possible. The calculation of the number of shares held as aforesaid shall be made as at the date of the written requisitions.
- (2) If the Board fails to give notice of meeting within 30 days of the receipt of the aforesaid written requisitions, the Shareholders making such requests may convene a meeting within four months of the receipt of the said requisitions by the Board. The procedure for convening the meeting shall, as far as possible, be the same as those for convening a Shareholders' meeting by the Board.

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS' ENQUIRES TO BE PUT TO THE BOARD

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

- to supervise and manage the business, operation and activities of the Company, and to make proposals or enquiries in relation thereto;
- to receive information in accordance with provisions of the Articles, including:
 - A. the Articles upon payment of the cost thereof;
 - B. upon payment of reasonable charges, be entitled to inspect and copy:
 - (i) all parts of the register of Shareholders;
 - (ii) personal particulars of the Directors, Supervisors, managers and other senior management officers of the Company, including (a) present and former names and aliases; (b) principal address (domicile); (c) nationality; (d) full-time occupation and all other part-time occupations or positions; and (e) identification document and the number thereof;
 - (iii) the share capital of the Company;
 - (iv) a report on the total nominal value, number, highest and lowest prices and all payments made by the Company in respect of each class of its shares repurchased since the last financial year; and
 - (v) minutes of Shareholders' meetings.

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

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

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

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

- Starting from the second day upon the despatch of the notice of the general meeting appointed for the election of Director by the Company, a Shareholder is entitled to lodge a notice in writing to the Company to propose a person for election as a Director.
- The minimum length of the period, during which the aforesaid notice in writing is lodged with the Company, shall be at least seven days.
- In any event, the aforesaid period shall end no later than seven days prior to the date of such general meeting.
- In the aforesaid period of notice, such proposed Director shall give notice to the Company stating his/her willingness to be elected.

INVESTOR RELATIONS

Amendments to the Articles

The Shareholders 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.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation and management of gas pipeline infrastructure and the sale and distribution of piped gas. One of the subsidiaries, 烏蘭察布市乾生天聯公用事業有限責任公司 (Ulan Qab Kin Sang Tianlian Public Utilities Company Limited*) (formerly known as 烏盟乾生天聯公用事業有限責任公司 (Kin Sang Tianlian Public Utilities Company Limited*)) is dormant. The other subsidiary 天津天聯投資有限公司 (Tianjin Tianlian Investment Company Limited*) is engaged in investment activities. The Group completed the acquisition of the additional 39% equity interests of 貴州津維礦業投資有限公司 (Guizhou Jinwei Mining Investment Company Limited*) ("Guizhou Jinwei") and Guizhou Jinwei completed its acquisition of 70% equity interest in 貴州省台江縣國新鉛鋅選礦有限責任公司 (Guizhou Province Taijiang County New Lead and Zinc Mineral Extraction Company Limited*) ("Guizhou County New") on 30 June 2012. Guizhou County New owns a mining right of a lead-zinc mine located in Taijiang County, Guizhou Province and the Group commenced the mining and trading of lead and zinc from year 2012, and ceased operation of mining and trading in year 2014.

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

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on pages 81 to 82 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

DIRECTORS' REPORT

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

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

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

DIRECTORS' REPORT

FINANCIAL SUMMARY

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

BUSINESS REVIEW

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

SHARE CAPITAL

Details of the Company's share capital are set out in note V.22 to financial statements.

DISTRIBUTION RESERVES

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

As at 31 December 2019, the Group's reserves available for distribution to Shareholders, comprised the retained profits determined under PRC accounting standards of approximately RMB661 million (2018: RMB662 million).

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

RESERVES

Profits attributable to Shareholders before dividends of RMB5,917,575 (2018: RMB5,800,974) have been transferred to reserves.

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

FIXED ASSETS

Details of movements in fixed assets of the Group are set out in note V.11 to financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 206.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Zhao Wei (*Chairman*)

Tang Jie

Wang Quan Hong

Non-executive Directors

Hou Shuang Jiang

Wang Jin

Zhao Heng Hai

Independent Non-executive Directors

Zhang Ying Hua

Yu Jian Jun

Guo Jia Li

DIRECTORS' REPORT

Independent Supervisors

Xu Hui
Liu Zhi Yuan

Staff Representative Supervisors

Hao Li
You Hui Yan

Shareholders' Representative Supervisor

Yang Hu Ling

The Company has received from each of the independent non-executive Directors their respective confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers that they remain independent.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

1. Mr. Wang Jin, a non-executive Director of the Company, ceased to be the deputy manager of the capital management department of Tianjin Energy in May 2019, and has served as the branch secretary, executive director and manager of Tianjin Jinran Real Estate Investment Co., Ltd.* (天津市津燃置業投資有限公司) since May 2019.
2. Mr. Guo Jia Li, an independent non-executive Director of the Company, has retired and ceased to be a partner of Tianjin branch of Shinewing Certified Public Accountants* (信永中和會計師事務所) (Special Ordinary Partnership) since October 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' REPORT

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

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

POLICY FOR DIRECTORS' REMUNERATION

The remuneration of the Directors is determined by the Remuneration Committee with reference to the Directors' respective qualifications and experiences. Save as Ms. Tang Jie, Mr. Guo Jia Li, Mr. Yu Jian Jun and Mr. Zhang Ying Hua, all Directors waived their director remuneration for the Year. During the Year, save as disclosed above, there was no arrangement in which Directors waived their remuneration.

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

As at 31 December 2019, the interests and short positions of the Directors, chief executives and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long Position

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

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

DIRECTORS' REPORT

Save as disclosed in the above paragraph, as at 31 December 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 31 December 2019, the following, not being a Director, chief executive or Supervisor of the Company, have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

SUBSTANTIAL SHAREHOLDERS

Long Position

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

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

Notes:

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

OTHER SHAREHOLDERS

Long Position

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

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/ H Shares
Liu Hei Wan	Interests held jointly with another person (note 1)	14,500,000	0.79%/2.90%
	Held by controlled corporation (note 2)	30,000,000	1.63%/6.00%
Law Suet Yi	Interests held jointly with another person (note 1)	14,500,000	0.79%/2.90%
	Interest of spouse (note 3)	30,000,000	1.63%/6.00%
The Waterfront Development Group Limited	Beneficial owner (note 2)	30,000,000	1.63%/6.00%
China Alpha Master Fund Ltd	Beneficial owner	28,350,000	1.54%/5.67%
Wang Junyan	Held by controlled corporation (note 4)	28,350,000	1.54%/5.67%
China Alpha Fund Management Ltd	Investment manager	28,350,000	1.54%/5.67%

DIRECTORS' REPORT

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in the Company/ H Shares
Alpha Logic Holdings Limited	Held by controlled corporation (note 5)	28,350,000	1.54%/5.67%
Jet Elite Investments Limited	Held by controlled corporation (note 6)	28,350,000	1.54%/5.67%
China Alpha Fund Management (HK) Limited	Investment manager	28,350,000	1.54%/5.67%

Notes:

- As at 31 December 2019, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held 14,500,000 H Shares of the Company.
- 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.
- 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.
- 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.
- 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.
- 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.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

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

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

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

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

DIRECTORS' REPORT

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

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

Each of Mr. Hou Shuang Jiang (the non-executive Director), Mr. Zhao Heng Hai (the non-executive Director) and Mr. Wang Jin (the non-executive Director) holds positions with Tianjin Gas and/or Tianjin Energy. They do not have any equity interest in Tianjin Gas, Tianjin Energy nor the Company. Save as their positions with Tianjin Gas and/or Tianjin Energy, each of the Directors and their respective close associates has confirmed that he/she does not have any interest in a business which competes or may compete with the business of the Group.

DIRECTORS' REPORT

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

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

CONNECTED TRANSACTIONS

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

DIRECTORS' REPORT

Continuing Connected Transactions

(1) Gas Pipeline Lease Agreement and the Renewed Gas Pipeline Lease Agreement

On 25 April 2016, the Company and Binhai Gas Group entered into the Gas Pipeline Lease Agreement in respect of the lease of the high pressure gas pipelines extending from the intersection of Dong Jin Road (東金路) and Yang Bei Road (楊北公路) in Dongli District (東麗區), Tianjin to the intersection of Xin Gang No.8 Road (新港八號路) and Yue Jin Road (躍進路) in Tanggu District (塘沽區), Tianjin, measuring approximately 30 km, which is owned and managed by the Company, to Binhai Gas Group for natural gas transmission for the period from 1 May 2016 to 30 April 2019.

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) is the maximum gas pipeline lease fee payable by Binhai Gas Group to the Company pursuant to the Gas Pipeline Lease Agreement under the Renewed Gas Pipeline Lease Agreement. Actual transaction amount (tax exclusive) for the Year was RMB5,505,000.

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

As each of the applicable percentage ratios for the annual caps of the Gas Pipeline Lease Agreement and the Renewed Gas Pipeline Lease Agreement in respect of the New Annual Caps is, on an annual basis, more than 0.1% but less than 5%, the transactions contemplated under the Gas Pipeline Lease Agreement and the Renewed Gas Pipeline Lease Agreement were exempt from the independent shareholders' approval requirement and were subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

For details of the transaction, please refer to the announcements of the Company dated 25 April 2016 and 30 April 2019.

(2) 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 Tianjin Energy entered into 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. Actual transaction amount (tax exclusive) for the Year was RMB16,351,000.

Tianjin Energy owns the entire equity interest in 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.

(3) Gas Supply

The 2019 Gas Supply Contract

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

As the 2018 Gas Supply Contract expired on 31 December 2018, on 26 April 2019, the Company and Jinran China Resources entered into the 2019 Gas Supply Contract for the period from 1 January 2019 to 31 December 2019. The total transaction amount (tax exclusive) under the 2019 Gas Supply Contract for the year ended 31 December 2019 was RMB1,292,529,000, which is below the annual cap of RMB1,915,200,000.

DIRECTORS' REPORT

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 ended 31 December 2019 exceeds 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 announcements of the Company dated 26 April 2019 and 2 August 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) 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.

As at the date of this report, Jinran China Resources was held as to 51% by Tianjin Gas (a controlling shareholder of the Company holding 1,297,547,800 Domestic Shares, representing approximately 70.54% of the total issued shares of the Company) and is hence a connected person of the Company, and the entering into of the 2019 Gas Supply Contract between Jinran China Resources and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(4) Gas Transportation

On 8 March 2019, the Company and Jinran China Resources entered into 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 said gas transportation fees are calculated based on the actual volume of natural gas and actual distance transmitted at RMB0.8 per 1,000 cubic metres per kilometre. The annual caps for the said gas transportation fees for the year ended 31 December 2018 and 31 December 2019 were RMB7,600,000 and RMB9,120,000, and for the year ending 31 December 2020 is RMB10,950,000, respectively. Actual transaction amount (tax exclusive) for the Year was RMB3,122,000.

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

DIRECTORS' REPORT

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

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

(5) Gas Provision

New Gas Provision Contract

Pursuant to a gas provision contract (the "New Gas Provision Contract") entered into between the Company and 天津泰華燃氣有限公司 (Tianjin Taihua Gas Co., Ltd.*, "Taihua Gas") on 10 November 2017 (as amended and reinstated on 4 June 2018), the Company agreed to supply natural gas (the "Gas Provision") to Taihua Gas from 1 January 2018 and for a term of three years up to 31 December 2020, with the annual caps not exceeding RMB219,594,599, RMB230,574,329 and RMB242,103,045, respectively. Actual transaction amount (tax exclusive) for the Year was RMB190,925,000.

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

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

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

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

DIRECTORS' REPORT

(6) Entrusted Purchase of Gas Metres

On 5 December 2019, the Company entered into the Entrusted Purchase Agreement with Jinran China Resources, pursuant to which the Company entrusted Jinran China Resources to purchase Internet of Things gas metres for the Company's plan to replace the existing gas metres for the Company's users in Heping District (和平區), Hedong District (河東區), Xiqing District (西青區), Ninghe District (寧河區), Hangu District (漢沽區) and part of the Jinnan District (津南區) in Tianjin with the Internet of Things gas metres for the period commencing on 5 December 2019 and ending on 31 December 2021. The aggregate purchase price under the Entrusted Purchase Agreement for the period from 5 December 2019 to 31 December 2019, and the years ending 31 December 2020 and 31 December 2021 shall not exceed RMB38,556,350, RMB49,999,600 and RMB49,999,600, respectively. Actual transaction amount (tax exclusive) for the period from 5 December 2019 to 31 December 2019 was RMB10,851,000.

The entering into of the Entrusted Purchase Agreement between Jinran China Resources and the Company constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules for the annual cap for the purchase of gas metres under the Entrusted Purchase Agreement, on an annual basis, will be more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirements.

For details, please refer to the announcement of the Company dated 5 December 2019.

REVIEW BY INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITORS

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;
- (iii) in accordance with relevant agreements governing such transactions; and
- (iv) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS' REPORT

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

- (i) nothing had come to their attention that causes them to believe that the disclosed continuing connected transactions had not been approved by the Company's Board;
- (ii) for transactions involving the provision of goods and services by the Group, nothing had come to their attention that caused them to believe that the transactions were not, in all material respects, in accordance with the pricing policies governing such transactions;
- (iii) nothing had come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing had come to their attention that causes them to believe that the continuing connected transactions had exceed the annual cap as set by the Company.

Non-Exempt Connected Transactions

Connected Transaction in relation to Purchase of Gas Meters

On 1 April 2019, the Company entered into a Purchase Agreement with 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 announcement of the Company dated 1 April 2019.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules from time to time in respect of the aforementioned connected transactions.

DIRECTORS' REPORT

EXEMPTED CONNECTED TRANSACTIONS

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

1. The Company supplied natural gas to Tianjin Heat Company Limited (天津市熱力有限公司), Tianjin Binhai China Petroleum Gas Company Limited (天津濱海中油燃氣有限責任公司), Tianjin Liquefied Gas Construction Limited (天津市液化氣工程有限公司) and Tianjin Yixiao Gas Construction Development Limited (天津市益銷燃氣工程發展有限公司) ("Tianjin Yixiao") which are subsidiaries of Tianjin Energy, a controlling shareholder of the Company and thus are connected persons of the Company under the Listing Rules. The Company also supplied natural gas to Tianjin Energy, the controlling shareholder of the Company. The total sales amounted to RMB1,092,000, RMB107,000, RMB7,000, RMB600 and RMB32,000 respectively for the Period;
2. Tianjin Yixiao provided gas meters installation services to the Company. The total gas meters installation services amounted to RMB3,155,000 for the Period;
3. Tianjin Yixiao provided internet services to the Company. The total internet services fees amounted to RMB81,000 for the Period;
4. The Company rented buildings from Tianjin Yixiao and Tianjin Liquefied Gas Company Limited (天津市液化氣有限責任公司), which are subsidiaries of Tianjin Energy, a controlling shareholder of the Company, and thus are connected persons the of the Company under the Listing Rules. The total rental amounted to RMB201,000 and RMB466,000 respectively for the Period; and
5. The Company purchased fixed assets from Tianjin Lianyin Gas Communication Technology Company Limited (天津市聯寅煤氣通信技術有限責任公司), a subsidiary of Tianjin Energy, a controlling shareholder of the Company, and thus is a connected person of the Company under Listing Rules. The total purchase amounted to RMB169,000 for the Period.

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

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

DIRECTORS' REPORT

The above connected transactions and continuing connected transactions has followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended 31 December 2019.

PERMITTED INDEMNITY

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

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 58.1% of the Group's total turnover for the Year, with the largest customer accounted for approximately 28.4%. The five largest suppliers of the Group together accounted for approximately 96.6% of the Group's total purchases for the year, with the largest supplier accounted for 92.8%.

Except: (i) Jinran China Resources, a major supplier of the Group and is owned as to 51% by Tianjin Gas, a controlling shareholder of the Company; (ii) Tianjin Yixiao, a major supplier of the Group and a subsidiary of Tianjin Energy, a controlling shareholder of the Company; and (iii) Taihua Gas, a major customer of the Group and is indirectly owned as to 70% by Tianjin Gas, at no time during the Year did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

AUDIT COMMITTEE

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2017, 2018 and 2019 have been audited by Ernst & Young Hua Ming LLP, certified public accountants.

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

MATERIAL CONTRACTS

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

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, the Company has not entered into any equity-linked agreement.

Annual General Meeting And Book Closure Period

The annual general meeting of the Company ("AGM") is expected to be held on 26 June 2020 at 3:00 p.m. at Floor 9, Gangao Tower, 18 Zhengzhou Road, Heping District, Tianjin, PRC and notice of the AGM will be published and despatched in the manner as required by the Listing Rules. To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 27 May 2020 to 26 June 2020 (both days inclusive) during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 26 May 2020.

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



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

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Ernst & Young Hua Ming (2020) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

To the shareholders of TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED:

1. OPINION

We have audited the financial statements of Tianjin Jinran Public Utilities Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on Page 79 to 205, which comprise the consolidated and company statements of financial position as at 31 December 2019, and the consolidated and company statements of profit or loss, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the consolidated and company financial position of Tianjin Jinran Public Utilities Company Limited as at 31 December 2019 and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent in accordance with the Code of Ethics for Chinese Certified Public Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

3. KEY AUDIT MATTERS

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

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

Key audit matter

How our audit addressed the key audit matter

Impairment of trade receivables

At 31 December 2019, the gross carrying amount of trade receivables was RMB268,913,336.89, and the gross bad debts provision amounted to RMB11,504,642.48. According to the significant accounting policies and estimates presented in Note III.7 and Note III.27 to the consolidated financial statements, the impairment of trade receivables is made based on assessment of the expected credit loss model. Significant management judgements need to be made during the assessment process. Management considers various factors which include the ageing of the balances, locations of customers, existence of disputes, recent historical payment patterns and status, taking into account forward-looking adjustment factors in combination with economic policies, macroeconomic indicators, industry risks and any other available information concerning the creditworthiness of customers.

Our procedures to assess the impairment of trade receivables included, but are not limited to, assessing the reasonableness of the expected credit loss model used by management, including management's risk classification of trade receivables, taking into account forward-looking adjustment factors and comparing historical repayments to assess the customers' financial repayment capacity; checking the significant carrying amount, ageing analysis and overdue amount analysis by customer to review the rationality of the basic data of management to account for the impairment of trade receivables; making inquiry about management's special consideration, examining the subsequent receipts by checking against bank receipts and paying attention to the return of trading receivables and the adequacy of bad debts provision.

The Group's disclosures about impairment of trade receivables are included in Note V.4 to the consolidated financial statements.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

3. KEY AUDIT MATTERS *(continued)*

Key audit matter

How our audit addressed the key audit matter

Revenue recognition of gas connection contracts

In 2019, the Group realised gas connection income of RMB54,160,832.71. According to the significant accounting policies and estimates presented in Note III.18 and Note III.27 to the consolidated financial statements, the revenue from gas connection contract is recognised by using the completion of performance obligation, measured by reference to the proportion of cost incurred to date to the estimated total cost of the relevant contract. When determining the estimated total cost of contract and cost incurred, significant estimates are involved. Management reviews the estimates of both actual cost and total contract cost in budget prepared for each contract as the contract progresses.

The Group's disclosures about revenue from gas connection contracts are included in Note V.27 to the consolidated financial statements.

We obtained management's calculation sheets of all gas connection contracts which were in progress as at 31 December 2019 and verified all the inputs involved, including costs incurred, total estimated costs and revenue contracts, examining the construction cost, designing and supervision cost, gas meters installation cost. We obtained the relevant contracts, bank payment slips, report of construction progress status which has been confirmed by the supervision party, and evaluated the completion of performance obligation of gas connection contracts which were in progress as at 31 December 2019.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

4. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2020) Shen Zi No. 61311187_L01
Tianjin Jinran Public Utilities Company Limited

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

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

- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Zhao Ning
(Engagement partner)

Chinese Certified Public Accountant: Wang Siming

Beijing, the People's Republic of China

27 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

Renminbi Yuan

ASSETS	Note V	31 December 2019	31 December 2018
CURRENT ASSETS			
Cash and bank balances	1	801,489,613.57	663,444,724.36
Held-for-trading financial assets	2	402,665,901.82	606,575,890.41
Bills receivable	3	–	143,200,000.00
Trade receivables	4	257,408,694.41	85,190,395.82
Receivables financing	5	74,681,820.20	51,615,158.62
Prepayments	6	1,858,248.24	1,264,754.10
Other receivables	7	2,301,073.75	3,968,845.97
Inventories	8	5,045,314.04	2,135,759.24
Other current assets	9	31,688,149.81	5,800,254.04
Total current assets		1,577,138,815.84	1,563,195,782.56
NON-CURRENT ASSETS			
Long-term equity investments	10	49,157,852.84	45,695,863.48
Fixed assets	11	865,647,024.18	839,676,408.47
Construction in progress	12	2,913,728.81	3,926,065.93
Intangible assets	13	11,368,940.78	11,735,671.62
Deferred tax assets	14	31,958,589.99	29,354,862.88
Total non-current assets		961,046,136.60	930,388,872.38
TOTAL ASSETS		2,538,184,952.44	2,493,584,654.94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2019

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2019	31 December 2018
CURRENT LIABILITIES			
Trade payables	17	395,694,120.33	349,393,394.75
Contract liabilities	18	194,167,667.39	195,796,913.70
Employee benefits payable	19	16,943,843.27	16,832,231.28
Taxes payable	20	41,767,220.60	40,252,589.68
Other payables		24,483,281.26	43,107,692.71
Provisions		-	1,612,720.00
Total current liabilities		673,056,132.85	646,995,542.12
NON-CURRENT LIABILITIES			
Deferred income	21	107,083,734.91	91,549,549.52
Total non-current liabilities		107,083,734.91	91,549,549.52
Total liabilities		780,139,867.76	738,545,091.64
SHAREHOLDERS' EQUITY			
Share capital	22	183,930,780.00	183,930,780.00
Capital reserve	23	790,332,352.18	790,332,352.18
Specialised reserve	24	282,870.77	1,317,309.05
Surplus reserve	25	127,472,293.73	121,554,718.66
Retained earnings	26	660,737,707.61	662,272,428.34
Total equity attributable to shareholders of the Parent		1,762,756,004.29	1,759,407,588.23
Non-controlling interests		(4,710,919.61)	(4,368,024.93)
Total shareholders' equity		1,758,045,084.68	1,755,039,563.30
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,538,184,952.44	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

Year ended 31 December 2019

Renminbi Yuan

	Note V	2019	2018
Revenue	27	1,501,277,165.08	1,519,525,521.08
Less: Cost of sales	27	1,517,046,540.18	1,483,518,754.04
Taxes and surcharges	28	2,828,691.23	1,660,875.80
Administrative expenses	29	31,882,994.14	29,300,558.98
Finance costs	30	(20,763,525.77)	(17,960,859.14)
including: interest income		21,362,581.89	18,701,463.11
Add: Other income	31	11,609,675.67	15,103,303.00
Investment income	32	20,357,179.55	15,444,702.92
including: share of profit of an associate		3,915,204.68	1,081,141.28
Credit impairment losses	33	4,541,556.98	(416,447.41)
Asset impairment losses	34	(1,035,000.00)	–
Operating profit		5,755,877.50	53,137,749.91
Add: Non-operating income	35	28,253.11	142,720.06
Less: Non-operating expenses	36	1,545,648.07	65,220.68
Total profit		4,238,482.54	53,215,249.29
Less: Income tax expense	38	198,522.88	13,764,748.80
Net profit		4,039,959.66	39,450,500.49
Classified by continuity of operations			
Profit from continuing operations		4,039,959.66	39,450,500.49
Classified by ownership			
Profit attributable to shareholders of the Parent		4,382,854.34	39,720,652.39
Profit attributable to non-controlling interests		(342,894.68)	(270,151.90)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

Year ended 31 December 2019

Renminbi Yuan

	Note V	2019	2018
Other comprehensive income, net of tax		–	–
Total comprehensive income		4,039,959.66	39,450,500.49
Including:			
Total comprehensive income attributable to shareholders of the Parent		4,382,854.34	39,720,652.39
Total comprehensive income attributable to non-controlling interests		(342,894.68)	(270,151.90)
Earnings per share (RMB/Share)	39		
Basic		0.002	0.022
Diluted		0.002	0.022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

Renminbi Yuan

2019

	Attributable to shareholders of the Parent						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Specialised reserve note 1	Surplus reserve	Retained earnings	Sub-total		
I. At beginning of the year	183,930,780.00	790,332,352.18	1,317,309.05	121,554,718.66	662,272,428.34	1,759,407,588.23	(4,368,024.93)	1,755,039,563.30
II. Movements during the year								
(i) Total comprehensive income	-	-	-	-	4,382,854.34	4,382,854.34	(342,894.68)	4,039,959.66
(ii) Profit appropriation								
1. Transfer to surplus reserve	-	-	-	5,917,575.07	(5,917,575.07)	-	-	-
(iii) Specialised reserve								
1. Appropriation for the year	-	-	-	-	-	-	-	-
2. Utilisation for the year	-	-	(1,034,438.28)	-	-	(1,034,438.28)	-	(1,034,438.28)
III. At end of the year	183,930,780.00	790,332,352.18	282,870.77	127,472,293.73	660,737,707.61	1,762,756,004.29	(4,710,919.61)	1,758,045,084.68

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% of revenue from sales of piped gas and gas transportation of last year. These funds were used for repair, maintenance and installing safety facilities. The movement of this year refers to the difference between the amount provided according to relevant laws and the amount utilised during the year.

2018

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

Renminbi Yuan

	Note V	2019	2018
1. Cash flows from operating activities			
Cash received from the sale of goods or rendering of services		1,593,002,444.58	1,727,756,544.99
Refunds of taxes		1,630,040.62	9,256,599.38
Cash received relating to other operating activities		40,295,427.13	35,140,886.31
Sub-total of cash inflows from operating activities		1,634,927,912.33	1,772,154,030.68
Cash paid for goods and services		1,431,125,717.28	1,369,839,242.07
Cash paid to and on behalf of employees		130,354,210.76	128,903,235.59
Cash paid for all types of taxes		33,274,508.95	39,490,588.97
Cash paid relating to other operating activities		40,422,114.12	37,081,505.23
Sub-total of cash outflows from operating activities		1,635,176,551.11	1,575,314,571.86
Net cash flows from/(used in) operating activities	40	(248,638.78)	196,839,458.82
2. Cash flows from investing activities			
Cash received from redemption of investments		1,350,000,000.00	3,607,080,000.00
Cash received from income on investments		27,230,469.77	34,415,769.82
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,580.00	1,690.00
Sub-total of cash inflows from investing activities		1,377,232,049.77	3,641,497,459.82
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets		68,553,360.40	46,733,090.62
Cash paid for acquisition of investments		1,340,000,000.00	3,557,080,000.00
Sub-total of cash outflows from investing activities		1,408,553,360.40	3,603,813,090.62
Net cash flows from/(used in) investing activities		(31,321,310.63)	37,684,369.20

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2019

Renminbi Yuan

	Note V	2019	2018
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	9,632,902.35
Sub-total of cash outflows from financing activities		22,058,312.60	9,632,902.35
Net cash flows used in financing activities		(22,058,312.60)	(9,632,902.35)
4. Effect of foreign exchange rate changes on cash and cash equivalents		–	–
5. Net increase/(decrease) in cash and cash equivalents		(53,628,262.01)	224,890,925.67
Add: Cash and cash equivalents at beginning of the year		511,286,336.89	286,395,411.22
6. Cash and cash equivalents at end of the year	40	457,658,074.88	511,286,336.89

STATEMENT OF FINANCIAL POSITION

31 December 2019

Renminbi Yuan

ASSETS	Note XIII	31 December 2019	31 December 2018
CURRENT ASSETS			
Cash and bank balances		800,403,212.42	662,384,653.36
Held-for-trading financial assets		402,665,901.82	606,575,890.41
Bills receivable		–	143,200,000.00
Trade receivables	1	257,408,694.41	85,190,395.82
Receivables financing		74,681,820.20	51,615,158.62
Prepayments		1,858,197.99	1,211,303.85
Other receivables	2	4,627,779.65	4,715,134.47
Inventories		5,045,314.04	2,135,759.24
Other current assets		31,688,149.81	5,800,254.04
Total current assets		1,578,379,070.34	1,562,828,549.81
NON-CURRENT ASSETS			
Long-term equity investments	3	49,157,852.84	45,695,863.48
Fixed assets		865,647,024.18	839,676,408.47
Construction in progress		2,913,728.81	3,926,065.93
Intangible assets		11,368,940.78	11,735,671.62
Deferred tax assets		36,958,589.99	34,354,862.88
Total non-current assets		966,046,136.60	935,388,872.38
TOTAL ASSETS		2,544,425,206.94	2,498,217,422.19

STATEMENT OF FINANCIAL POSITION (continued)

31 December 2019

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIII	31 December 2019	31 December 2018
CURRENT LIABILITIES			
Trade payables		395,648,120.33	349,347,394.75
Contract liabilities		194,167,667.39	195,796,913.70
Employee benefits payable		16,943,551.81	16,831,939.82
Taxes payable		41,767,460.91	40,251,789.99
Other payables		21,822,413.26	40,446,824.71
Provisions		–	1,612,720.00
Total current liabilities		670,349,213.70	644,287,582.97
NON-CURRENT LIABILITIES			
Deferred income		107,083,734.91	91,549,549.52
Total non-current liabilities		107,083,734.91	91,549,549.52
Total liabilities		777,432,948.61	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		282,870.77	1,317,309.05
Surplus reserve		127,472,293.73	121,554,718.66
Retained earnings		664,973,961.65	665,245,129.81
Total shareholders' equity		1,766,992,258.33	1,762,380,289.70
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,544,425,206.94	2,498,217,422.19

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

Renminbi Yuan

	Note XIII	2019	2018
Revenue	4	1,501,277,165.08	1,519,525,521.08
Less: Cost of sales	4	1,517,046,540.18	1,483,518,754.04
Taxes and surcharges		2,828,691.23	1,660,875.80
Administrative expenses		30,275,998.70	27,745,945.99
Finance costs		(20,762,977.58)	(17,959,582.77)
including: interest income		21,359,596.35	18,698,292.39
Add: Other income		11,609,675.67	15,103,303.00
Investment income	5	20,357,179.55	15,444,702.92
including: share of profit of an associate		3,915,204.68	1,081,141.28
Credit impairment losses		4,541,556.98	(416,447.41)
Asset impairment losses		(1,035,000.00)	–
Operating profit		7,362,324.75	54,691,086.53
Add: Non-operating income		28,253.11	142,720.05
Less: Non-operating expenses		1,545,648.07	65,161.91
Total profit		5,844,929.79	54,768,644.67
Less: Income tax expense		198,522.88	13,764,748.80
Net profit		5,646,406.91	41,003,895.87
Including: continuing operations		5,646,406.91	41,003,895.87
Other comprehensive income, net of tax		–	–
Total comprehensive income		5,646,406.91	41,003,895.87

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

Renminbi Yuan

2019

	Share capital	Capital reserve	Specialised reserve note 1	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning of the year	183,930,780.00	790,332,352.18	1,317,309.05	121,554,718.66	665,245,129.81	1,762,380,289.70
II. Movements during the year						
(i) Total comprehensive income	-	-	-	-	5,646,406.91	5,646,406.91
(ii) Profit appropriation						
1. Transfer to surplus reserve	-	-	-	5,917,575.07	(5,917,575.07)	-
(iii) Specialised reserve						
1. Appropriation for the year	-	-	-	-	-	-
2. Utilisation for the year	-	-	(1,034,438.28)	-	-	(1,034,438.28)
III. At end of the year	183,930,780.00	790,332,352.18	282,870.77	127,472,293.73	664,973,961.65	1,766,992,258.33

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% of revenue from sales of piped gas and gas transportation of last year. These funds were used for repair, maintenance and installing safety facilities. The movement of this year refers to the difference between the amount provided according to relevant laws and the amount utilised during the year.

2018

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

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

Renminbi Yuan

	2019	2018
1. Cash flows from operating activities		
Cash received from the sale of goods or rendering of services	1,593,002,444.58	1,727,756,544.99
Refunds of taxes	1,630,040.62	9,256,599.38
Cash received relating to other operating activities	40,292,441.59	35,137,715.58
Sub-total of cash inflows from operating activities	1,634,924,926.79	1,772,150,859.95
Cash paid for goods and services	1,431,125,717.28	1,369,839,242.07
Cash paid to and on behalf of employees	130,223,410.76	128,831,935.59
Cash paid for all types of taxes	33,273,468.95	39,482,053.65
Cash paid relating to other operating activities	40,549,133.81	36,234,594.53
Sub-total of cash outflows from operating activities	1,635,171,730.80	1,574,387,825.84
Net cash flows from/(used in) operating activities	(246,804.01)	197,763,034.11
2. Cash flows from investing activities		
Cash received from redemption of investments	1,350,000,000.00	3,607,080,000.00
Cash received from income on investments	27,230,469.77	34,415,769.82
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,580.00	1,690.00
Sub-total of cash inflows from investing activities	1,377,232,049.77	3,641,497,459.82
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets	68,553,360.40	46,733,090.62
Cash paid for acquisition of investments	1,340,000,000.00	3,557,080,000.00
Sub-total of cash outflows from investing activities	1,408,553,360.40	3,603,813,090.62
Net cash flows from/(used in) investing activities	(31,321,310.63)	37,684,369.20

STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2019

Renminbi Yuan

	2019	2018
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	9,632,902.35
Sub-total of cash outflows from financing activities	22,058,312.60	9,632,902.35
Net cash flows used in financing activities	(22,058,312.60)	(9,632,902.35)
4. Effect of foreign exchange rate changes on cash and cash equivalents	–	–
5. Net increase/(decrease) in cash and cash equivalents	(53,626,427.24)	225,814,500.96
Add: Cash and cash equivalents at beginning of the year	511,161,639.66	285,347,138.70
6. Cash and cash equivalents at end of the year	457,535,212.42	511,161,639.66

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 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 the 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)

Year ended 31 December 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.22.

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)

Year ended 31 December 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 a 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. The share transfer was completed on 20 June 2016, 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 a 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 27 March 2020. According to the articles of association of the Company, the financial statements will be submitted to the shareholders’ meeting for approval.

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely, the financial position of the Group and the Company as at 31 December 2019 and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

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

3. Functional currency

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

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

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

Business combinations not involving entities under common control

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

4. Business combinations *(continued)*

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

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

5. Consolidated financial statements

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

5. Consolidated financial statements *(continued)*

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

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

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

6. Cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Classification and measurement of financial assets

The Group's financial assets are, on initial recognition, classified into the following categories based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value through profit or loss, financial assets measured at amortised cost and financial assets at fair value through other comprehensive income. All affected related financial assets will be reclassified only if the Group changes its business model for managing financial assets.

A financial asset is initially recognised at fair value. However, if the initial recognition of trade receivables or bills receivable arising from the sale of goods or rendering of services does not include significant financing components or does not consider financing components not exceeding one year, it shall be initially confirmed at the transaction price.

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

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

Debt instrument investments measured at amortised cost

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 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: *(continued)*

Debt instrument investments measured at fair value through other comprehensive income

The Group measures financial assets at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income is recognised using the effective interest method. The interest income, impairment losses and foreign exchange revaluation are recognised in profit or loss. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets measured at fair value through profit or loss

Except for the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, 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.

Classification and measurement of financial liabilities

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

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

Other financial liabilities

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Impairment of financial instruments

The Group performs impairment treatment on financial assets measured at amortised cost and debt instrument investments at fair value through other comprehensive income and provides impairment provision on the basis of expected credit losses.

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.

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.

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)

Year ended 31 December 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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

8. Inventories *(continued)*

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.

9. Long-term equity investments

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

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)

Year ended 31 December 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)

Year ended 31 December 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)

Year ended 31 December 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	5-10%	3.6-3.8%
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)

Year ended 31 December 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. Right-of-use assets (effective for annual periods beginning on 1 January 2019)

At the commencement date of the lease, the Group recognises its right to use the leased assets over the lease term as a right-of-use asset. The cost of the right-of-use asset comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received; any initial direct cost incurred; and an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019
Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

13. Intangible assets

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

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

14. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes 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)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

14. Impairment of assets *(continued)*

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

15. 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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

15. Employee benefits *(continued)*

Termination benefits

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

16. Lease liabilities (effective for annual periods beginning on 1 January 2019)

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, or the index or ratio used to determine the lease payment amount changes, the purchase option, the renewal option or the termination option is evaluated. When the results or actual exercise rights change, the Group re-measures the lease liability based on the present value of the changed lease payments.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

17. Provisions

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

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed 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.

18. Revenue from contracts with customers

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

18. Revenue from contracts with customers *(continued)*

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 uses the input method and determines the progress of performance of the services provided on the basis of costs incurred. 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.

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services that the Group has transferred to a customer, and that right is conditioned on something other than the passage of time.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration or an amount of consideration is due from the customer, such as an amount of consideration that an entity has received before the transfer of the promised goods or services.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

20. 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)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

21. 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 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)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

21. 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 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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

Identification of leases

At inception of a contract, the Group assesses 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 an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

In the case of the lessee

For details of the general accounting treatment in the case of the lessee, please refer to Note III.12 and Note III.16.

Short-term leases

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases. The Group recognises lease payments on short-term leases in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

(continued)

In the case of the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

In the case of the lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred.

23. 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.

24. Distribution of profit

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

25. Safety production funds

Safety production funds provided according to the regulations are included in costs of related products or profit or loss, and credited to the specialised reserves. They are treated differently when being utilised: the specialised reserves are offset against for those attributable to the expense nature; 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.

26. Fair value measurement

The Group measures held-for-trading financial assets and receivables financing 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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

26. Fair value measurement *(continued)*

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.

27. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts and disclosure of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the 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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

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 a 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. Since the duration of construction contracts usually falls into different accounting periods, the Group reviews and revises the estimates in the budget for the construction costs prepared by each contract along with the contract progresses, and the revenue will be adjusted accordingly.

The contractual cash flow characteristics

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

28. Changes in accounting policies and accounting estimates

Changes in accounting policies

The New Leases Standard

In 2018, the Ministry of Finance issued the revised Accounting Standard for Business Enterprises No. 21 – Leases (the “New Leases Standard”). The New Leases Standard introduces a single model similar to the current accounting treatment of finance leases, requiring the lessor to recognise right-of-use assets and lease liabilities for all the leases, except for short-term leases and leases of low-value assets, and recognise depreciation and interest expense, respectively. The Group has accounted for leases under the revised leases standard since 1 January 2019. As a practical expedient, the Group did not reassess whether a contract is, or contains, a lease at the date of initial application. According to the transitional requirements, the Group did not restate comparative information. Instead, the Group recognised the cumulative effect of the initial application of the New Leases Standard as an adjustment to the opening balance of retained earnings of 2019 at the date of initial application:

- (1) For leases previously classified as operating leases, the Group recognised lease liabilities based on the present value of the remaining lease payments discounted at the incremental borrowing rate at the date of initial application, and measured right-of-use assets based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

For operating leases of low-value assets and operating leases for which the lease term ends within 12 months before initial application, the Group applied a simplified approach and did not recognise the right-of-use assets and lease liabilities.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

Changes in accounting policies (continued)

The New Leases Standard (continued)

The Group reconciled the outstanding minimum lease payments for significant operating leases disclosed in 2018 financial statements with lease liabilities included in the balance sheet as at 1 January 2019 based on the present value of the minimum lease payments discounted using the incremental borrowing rate of the Group as the lessee as at 1 January 2019 as follows:

Minimum lease payments for significant operating leases as at 31 December 2018	44,800.00
Less: Minimum lease payments under the simplified approach	44,800.00
Including: short-term leases	44,800.00
	<hr/>
	–
Weighted average incremental borrowing rate	4.35%
	<hr/>
Discounted operating lease commitments as at 1 January 2019	–
Lease liabilities as at 1 January 2019	–
	<hr/>

All the significant operating lease contracts of the Group are short-term leases or leases of low-value assets. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term. Therefore, the implementation of the New Leases Standard has had no significant impact on the consolidated and company statement of financial position as at 1 January 2019 and consolidated and company financial statements for the year ended 31 December 2019.

In addition, the cash paid by the Group for the repayment of the principal and interest of the lease liabilities is included in the statement of cash flows as cash outflows from financing activities, and the payments for short-term leases and leases of low-value assets accounted for using the practical expedients and variable lease payments not included in the measurement of the lease liabilities are still included in cash outflows from operating activities.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

Changes in accounting policies *(continued)*

Changes in presentation of financial statements

To meet the requirements of 《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) and 《關於修訂印發合併財務報表格式(2019版)的通知》(財會[2019]16號), in the statement of financial position, the amount previously presented in “bills receivable and trade receivables” shall be presented separately in “bills receivable” and “trade receivables”; the amount previously presented in “bills payable and trade payables” shall be presented separately in “bills payable” and “trade payables”; the bills receivable at fair value through other comprehensive income are separately presented in “receivables financing”; the “interests receivable” in “other receivables” is changed to reflect only the outstanding interests on financial instruments that expired and can be collected at the balance sheet date (the interests on the financial instrument accrued using the effective interest method are included in the outstanding amount of the corresponding financial instrument); the portion of “deferred income” within one year or less amortisation period or is expected 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)

Year ended 31 December 2019
Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

Changes in accounting policies (continued)

Changes in presentation of financial statements (continued)

The cumulative effects of the retrospective adjustments caused by the above changes in accounting policies on the financial statements are as follows:

The Group

2019

	Before changes	Changes in accounting policies	After changes
	Closing balance for 2018	Other changes in presentation of financial statements	Opening balance for 2019
Cash and bank balances	662,221,710.66	1,223,013.70	663,444,724.36
Bills receivable and trade receivables	280,005,554.44	(280,005,554.44)	-
Bills receivable	-	143,200,000.00	143,200,000.00
Trade receivables	-	85,190,395.82	85,190,395.82
Receivables financing	-	51,615,158.62	51,615,158.62
Other receivables	5,191,859.67	(1,223,013.70)	3,968,845.97
Bills payable and trade payables	349,393,394.75	(349,393,394.75)	-
Trade payables	-	349,393,394.75	349,393,394.75
Current portion of non-current liabilities	5,003,954.91	(5,003,954.91)	-
Deferred income	86,545,594.61	5,003,954.91	91,549,549.52

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

Changes in accounting policies (continued)

Changes in presentation of financial statements (continued)

The cumulative effects of the retrospective adjustments caused by the above changes in accounting policies on the financial statements are as follows: (continued)

The Company

2019

	Before changes	Changes in accounting policies	After changes
	Closing balance for 2018	Other changes in presentation of financial statements	Opening balance for 2019
Cash and bank balances	661,161,639.66	1,223,013.70	662,384,653.36
Bills receivable and trade receivables	280,005,554.44	(280,005,554.44)	-
Bills receivable	-	143,200,000.00	143,200,000.00
Trade receivables	-	85,190,395.82	85,190,395.82
Receivables financing	-	51,615,158.62	51,615,158.62
Other receivables	5,938,148.17	(1,223,013.70)	4,715,134.47
Bills payable and trade payables	349,347,394.75	(349,347,394.75)	-
Trade payables	-	349,347,394.75	349,347,394.75
Current portion of non-current liabilities	5,003,954.91	(5,003,954.91)	-
Deferred income	86,545,594.61	5,003,954.91	91,549,549.52

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 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)

Year ended 31 December 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2019	2018
Cash	14,311.34	17,545.34
Cash at banks	800,537,080.11	662,491,805.25
Other monetary funds	938,222.12	935,373.77
	801,489,613.57	663,444,724.36

As at 31 December 2019, the Group had unpledged 6-month fixed deposits of RMB140,463,000.00 which cannot be readily withdrawn on demand (31 December 2018: RMB151,223,013.70).

As at 31 December 2019, the Group had fixed returns structured deposits without variable link terms of RMB202,405,000.00 which cannot be terminated prematurely within the maturity periods (31 December 2018: Nil).

As at 31 December 2019, the cash at banks balances amounting to RMB25,316.57 were deposited in a long-term idle bank account (31 December 2018: Nil).

As at 31 December 2019, the cash and bank balances amounting to RMB938,222.12 were restricted as guarantee deposits for environment protection (31 December 2018: RMB935,373.77). Refer to Note V.16 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)

Year ended 31 December 2019

Renminbi Yuan

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

2. Held-for-trading financial assets

	2019	2018
Financial assets measured at fair value through profit or loss		
Structured deposits	402,665,901.82	606,575,890.41
	402,665,901.82	606,575,890.41

At 31 December 2019, the Group purchased structured deposits amounting to RMB402,665,901.82. These structured deposits were issued by 平安銀行 and 民生銀行, 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 variable which was 3-month USD LIBOR interest rate announced by Reuters and maturity periods are within 120 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.

3. Bills receivable

	2019	2018
Commercial acceptance bills	–	143,200,000.00
	–	143,200,000.00

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

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:

	2019	2018
Within 1 year	255,400,003.03	84,475,260.94
1 to 2 years	2,136,345.85	2,778,067.52
2 to 3 years	2,431,160.96	2,501,273.51
Over 3 years	8,945,827.05	11,192,646.28
	268,913,336.89	100,947,248.25
Less: Provision for bad debts of trade receivables	11,504,642.48	15,756,852.43
	257,408,694.41	85,190,395.82

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

	Opening balance	Provision for the year	Reversal during the year	Closing balance
2019	15,756,852.43	715,800.55	(4,968,010.50)	11,504,642.48
2018	15,271,405.02	2,282,226.61	(1,796,779.20)	15,756,852.43

In 2019, the Group provided bad debts of RMB715,800.55 (2018: RMB2,282,226.61), and reversed bad debts of RMB4,968,010.50 (2018: RMB1,796,779.20).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

4. Trade receivables (continued)

The category of trade receivables is analysed below:

	2019				2018			
	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	10,933,947.12	4.1	10,933,947.12	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	257,979,389.77	95.9	570,695.36	0.2	85,352,490.63	84.6	162,094.81	0.2
	268,913,336.89	100.0	11,504,642.48	4.3	100,947,248.25	100.0	15,756,852.43	15.6

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

	2019			2018		
	Estimated carrying amount arising from default	Expected credit loss rate	Lifetime expected credit loss	Estimated carrying amount arising from default	Expected credit loss rate	Lifetime expected credit loss
1 to 6 months	250,721,670.74	-	-	83,673,781.14	-	-
6 months to 1 year	4,678,332.29	5.0%	233,916.61	801,479.80	5.0%	40,073.99
1 to 2 years	1,829,145.85	10.0%	182,914.59	762,903.52	10.0%	76,290.35
2 to 3 years	731,160.96	20.0%	146,232.19	-	20.0%	-
Over 3 years	19,079.93	40.0%	7,631.97	114,326.17	40.0%	45,730.47
	257,979,389.77	0.2%	570,695.36	85,352,490.63	0.2%	162,094.81

5. Receivables financing

	2019	2018
Bank acceptance bills receivable	74,681,820.20	51,615,158.62
	74,681,820.20	51,615,158.62

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

6. Prepayments

The ageing of prepayments is analysed below:

	2019		2018	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	1,592,896.09	86	579,588.95	46
Over 1 year	265,352.15	14	685,165.15	54
	1,858,248.24	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.

7. Other receivables

The ageing of other receivables is analysed below:

	2019	2018
Within 1 year	2,120,613.75	3,611,469.90
1 to 2 years	–	169,710.00
2 to 3 years	154,150.00	203,413.16
Over 3 years	2,515,251.29	2,762,541.23
	4,790,015.04	6,747,134.29
Less: Provision for bad debts of other receivables	2,488,941.29	2,778,288.32
	2,301,073.75	3,968,845.97

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019
Renminbi Yuan

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

7. Other receivables *(continued)*

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

2019

	Stage 1 Expected credit losses over the next 12 months	Total
Opening balance	2,778,288.32	2,778,288.32
Provision for the year	6,200.00	6,200.00
Reversal during the year	(295,547.03)	(295,547.03)
Transfer during the year	-	-
Write-off during the year	-	-
Closing balance	2,488,941.29	2,488,941.29

2018

	Stage 1 Expected credit losses over the next 12 months	Total
Opening balance	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	-	-
Closing balance	2,778,288.32	2,778,288.32

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

7. Other receivables (continued)

Other receivables by nature are as follows:

	2019	2018
Employees' borrowings	224,460.19	818,437.76
Subsidy	1,664,564.44	2,920,000.00
Deposits and others	2,900,990.41	3,008,696.53
	4,790,015.04	6,747,134.29

8. Inventories

	2019	2018
Gas	185,446.10	219,724.83
Gas appliances	4,859,867.94	1,916,034.41
	5,045,314.04	2,135,759.24

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

9. Other current assets

	2019	2018
Prepaid income tax	4,445,035.68	–
Input VAT to be certified	27,243,114.13	5,800,254.04
	31,688,149.81	5,800,254.04

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

10. Long-term equity investments

2019

	Current year movements							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	Closing carrying amount	
Associate 天津市濱海燃氣有限公司	45,695,863.48	-	-	3,915,204.68	203,650.83	(656,866.15)	49,157,852.84	-

2018

	Current year movements							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	Closing carrying amount	
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)

Year ended 31 December 2019

Renminbi Yuan

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

11. Fixed assets

The Group had no fixed assets pending for disposal.

2019

	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	-	1,710,844.26	36,298,420.10	20,041.94	1,238,889.71	-	39,268,196.01
Transferred from construction in progress	1,332,319.04	43,140,669.22	107,398.19	-	12,800.00	-	44,593,186.45
Disposal or scrap	-	6,775,889.23	636,138.83	310,568.00	948,456.13	-	8,671,052.19
Closing balance	48,957,958.58	1,220,969,204.02	146,401,358.32	6,373,151.43	8,917,314.76	4,558,482.24	1,436,177,469.35
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	1,106,771.65	45,797,276.07	4,090,415.01	378,240.98	493,467.73	-	51,866,171.44
Disposal or scrap	-	1,016,122.32	496,992.89	279,511.20	853,830.47	-	2,646,456.88
Closing balance	14,514,788.64	491,438,746.08	43,498,897.76	5,088,188.40	5,364,452.63	2,747,063.24	562,652,136.75
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	34,443,169.94	729,530,457.94	96,907,952.31	1,225,246.15	3,540,197.84	-	865,647,024.18
At beginning 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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

11. Fixed assets (continued)

2018

	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening balance	47,631,489.54	1,148,980,208.96	102,934,984.51	7,250,687.78	8,269,684.18	4,558,482.24	1,319,625,537.21
Purchase	-	379,920.52	7,696,694.35	75,504.71	344,397.00	-	8,496,516.58
Transferred from construction in progress	-	35,234,315.95	-	-	-	-	35,234,315.95
Disposal or scrap	5,850.00	1,700,865.66	-	662,515.00	-	-	2,369,230.66
Closing balance	47,625,639.54	1,182,893,579.77	110,631,678.86	6,663,677.49	8,614,081.18	4,558,482.24	1,360,987,139.08
Accumulated depreciation							
Opening balance	12,301,245.35	401,111,135.06	35,751,941.51	5,170,454.84	5,183,850.63	2,747,063.24	462,265,690.63
Provision	1,106,771.64	45,546,457.27	4,153,534.13	415,267.28	540,964.74	-	51,762,995.06
Disposal or scrap	-	-	-	596,263.50	-	-	596,263.50
Closing balance	13,408,016.99	446,657,592.33	39,905,475.64	4,989,458.62	5,724,815.37	2,747,063.24	513,432,422.19
Impairment provision							
Opening balance	-	-	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Provision	-	-	-	-	-	-	-
Disposal or scrap	-	-	-	-	-	-	-
Closing balance	-	-	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Net carrying amount							
At end of the year	34,217,622.55	736,235,987.44	64,731,694.97	1,614,501.99	2,876,601.52	-	839,676,408.47
At beginning of the year	35,330,244.19	747,869,073.90	61,188,534.75	2,020,516.06	3,073,169.26	-	849,481,538.16

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

11. Fixed assets (continued)

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

2019

	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	4,542,443.52	4,542,443.52
Disposal or scrap	–	–
Closing balance	43,915,206.38	43,915,206.38
Impairment provision		
Opening balance	–	–
Provision	–	–
Disposal or scrap	–	–
Closing balance	–	–
Net carrying amount		
At end of the year	109,110,373.34	109,110,373.34
At beginning of the year	113,652,816.86	113,652,816.86
	Pipelines	Total
At 31 December 2018	113,652,816.86	113,652,816.86

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

12. Construction in progress

The Group had no construction materials.

Construction in progress

	2019			2018		
	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	1,810,688.81	(1,035,000.00)	775,688.81	1,788,025.93	-	1,788,025.93
Mines	408,920.27	(408,920.27)	-	408,920.27	(408,920.27)	-
	4,357,649.08	(1,443,920.27)	2,913,728.81	4,334,986.20	(408,920.27)	3,926,065.93

The movements of construction in progress in 2019 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	-	38,947,087.76	34,379,599.06	4,567,488.70	-
Gas stations and others	1,788,025.93	10,236,250.27	10,213,587.39	-	1,810,688.81
Connecting pipe renovation	-	811,548.17	-	811,548.17	-
Mines	408,920.27	-	-	-	408,920.27
	4,334,986.20	49,994,886.20	44,593,186.45	5,379,036.87	4,357,649.08

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

13. Intangible assets

2019

	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	–	7,433.63	–	7,433.63
Closing balance	14,316,891.30	725,704.91	16,765,984.00	31,808,580.21
Accumulated amortisation				
Opening balance	3,093,249.64	206,241.32	7,243,935.07	10,543,426.03
Provision	302,213.37	71,951.10	–	374,164.47
Closing balance	3,395,463.01	278,192.42	7,243,935.07	10,917,590.50
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	10,921,428.29	447,512.49	–	11,368,940.78
At beginning of the year	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 on land use rights.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019
Renminbi Yuan

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

13. Intangible assets (continued)

2018

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

14. Deferred tax assets

Deferred tax assets balances are as follows:

	2019		2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	13,993,583.77	3,498,395.94	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
Provision for impairment of construction in progress	1,035,000.00	258,750.00	–	–
Provisions	–	–	1,612,720.00	403,180.00
Deferred income	107,083,734.91	26,770,933.73	91,549,549.52	22,887,387.38
	127,834,359.95	31,958,589.99	117,419,451.54	29,354,862.88

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

	2019	2018
Deductible temporary differences	12,087,236.35	12,087,236.35
Deductible losses	9,105,219.75	9,897,586.67
	21,192,456.10	21,984,823.02

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

	2019	2018
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	1,606,447.25	–
	9,105,219.75	9,897,586.67

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

15. Provision for impairment of assets

2019

	Opening balance	Provision	Decrease		Closing balance
			Reversal	Write-off	
Provision for bad debts					
– Trade receivables	15,756,852.43	715,800.55	(4,968,010.50)	–	11,504,642.48
– Other receivables	2,778,288.32	6,200.00	(295,547.03)	–	2,488,941.29
Provision for impairment of fixed assets	7,878,308.42	–	–	–	7,878,308.42
Provision for impairment of construction in progress	408,920.27	1,035,000.00	–	–	1,443,920.27
Provision for impairment of intangible assets	9,522,048.93	–	–	–	9,522,048.93
	36,344,418.37	1,757,000.55	(5,263,557.53)	–	32,837,861.39

2018

	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)

Year ended 31 December 2019

Renminbi Yuan

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

16. Assets restricted by ownership

	2019	2018
Other monetary funds	938,222.12	935,373.77

At 31 December 2019, deposits of RMB938,222.12 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).

17. 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:

	2019	2018
Within 1 year	333,394,586.93	301,996,278.75
1 to 2 years	47,576,765.50	42,156,631.53
Over 2 years	14,722,767.90	5,240,484.47
	395,694,120.33	349,393,394.75

18. Contract liabilities

	2019	2018
Deposits for sales of piped gas	156,896,937.81	147,257,295.83
Advances from gas connection	34,100,481.58	40,896,548.26
Advances from sales of gas appliances	3,012,080.00	7,417,080.00
Others	158,168.00	225,989.61
	194,167,667.39	195,796,913.70

Contract liabilities mainly include the amount of pipeline gas charges that the Group requires customers to deposit in advance, and payments received by the Group to provide gas connections services and sales of gas appliances. The decrease in contract liabilities in 2019 was mainly due to the decrease in advances received from customers in relation to the provision of gas connection services and sales of gas appliances at the end of the year.

For details of information about revenue recognised that was included in contract liabilities at the beginning of the year and information about the Group's performance obligations, please refer to Note V.27. Revenue and cost of sales.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

19. Employee benefits payable

2019

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	16,836,963.32	115,243,564.20	115,131,952.21	16,948,575.31
Post-employment benefits (defined contribution plan)	(4,732.04)	15,232,685.64	15,232,685.64	(4,732.04)
Termination compensation	–	–	–	–
	16,832,231.28	130,476,249.84	130,364,637.85	16,943,843.27

2018

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

19. Employee benefits payable (continued)

Details of short-term benefits are as follows:

2019

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	13,029,157.46	93,859,303.50	93,719,542.79	13,168,918.17
Employee bonus and welfare fund	3,001,223.34	–	–	3,001,223.34
Social insurance	25,187.25	9,542,181.05	9,542,180.55	25,187.75
Including: Medical insurance	25,987.25	8,596,586.88	8,596,586.38	25,987.75
Work injury insurance	(800.00)	500,192.61	500,192.61	(800.00)
Maternity insurance	–	445,401.56	445,401.56	–
Housing fund	(1,789.65)	9,977,827.00	9,977,827.00	(1,789.65)
Union fund and employee education fund	783,184.92	1,864,252.65	1,892,401.87	755,035.70
	16,836,963.32	115,243,564.20	115,131,952.21	16,948,575.31

2018

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

19. Employee benefits payable *(continued)*

Details of defined contribution plan are as follows:

2019

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	3,310.95	14,803,354.20	14,803,354.20	3,310.95
Unemployment insurance	(8,042.99)	429,331.44	429,331.44	(8,042.99)
	(4,732.04)	15,232,685.64	15,232,685.64	(4,732.04)

2018

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

20. Taxes payable

	2019	2018
Value-added tax	40,532,792.44	30,392,226.91
Corporate income tax	–	8,627,250.83
Others	1,234,428.16	1,233,111.94
	41,767,220.60	40,252,589.68

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

21. Deferred income

	2019	2018
Government grants related to assets/income		
Opening balance	91,549,549.52	69,854,805.01
Increase	24,280,000.00	27,328,033.00
Recognised	7,490,379.05	5,633,288.49
Decrease	1,255,435.56	-
Closing balance	107,083,734.91	91,549,549.52

Liabilities relevant to government grants as at 31 December 2019 are listed as follows:

	Opening balance	Increase	Recognised as other income	Other changes	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	3,438,942.69	-	(180,999.00)	-	3,257,943.69	Asset
富力桃園 medium pressure pipeline	4,659,259.40	-	(548,148.12)	-	4,111,111.28	Asset
Pipeline reconstruction of 2014	8,861,049.78	-	(409,845.50)	-	8,451,204.28	Asset/income
Pipeline reconstruction of 2015	10,830,936.48	-	(483,120.36)	-	10,347,816.12	Asset/income
Pipeline reconstruction of 2016	18,206,907.36	-	(620,497.80)	(1,255,435.56)	16,330,974.00	Asset/income
Pipeline reconstruction of 2017	19,356,128.96	-	(1,153,026.03)	-	18,203,102.93	Asset/income
Pipeline reconstruction of 2018	22,951,712.32	-	(3,177,438.56)	-	19,774,273.76	Asset/income
Pipeline reconstruction of 2019	-	24,280,000.00	(12,019.93)	-	24,267,980.07	Asset
Connecting pipe renovation 鄱陽南路睿思路	908,856.91	-	(806,241.15)	-	102,615.76	Income
medium pressure pipeline	2,335,755.62	-	(99,042.60)	-	2,236,713.02	Asset
	91,549,549.52	24,280,000.00	(7,490,379.05)	(1,255,435.56)	107,083,734.91	

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

21. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2018 are listed as follows:

	Opening balance	Increase	Recognised as other income	Other changes	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
翻陽南路睿思路 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	

22. Share capital

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

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

	2019		2018	
	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)

Year ended 31 December 2019

Renminbi Yuan

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

23. Capital reserve

2019 and 2018

	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)

Year ended 31 December 2019
Renminbi Yuan

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

24. Specialised reserve

2019

	Opening balance	Increase	Decrease	Closing balance
Safety production funds	1,317,309.05	–	(1,034,438.28)	282,870.77

2018

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

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

25. Surplus reserve

2019

	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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

25. Surplus reserve (continued)

2018

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

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.

26. Retained earnings

	2019	2018
Retained earnings at the beginning of the year	662,272,428.34	659,620,982.39
Net profit attributable to shareholders of the Parent	4,382,854.34	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 year	660,737,707.61	662,272,428.34

Note 1: In 2019 and 2018, 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.

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)

Year ended 31 December 2019
Renminbi Yuan

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

27. Revenue and cost of sales

	2019		2018	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	1,501,277,165.08	1,517,046,540.18	1,519,525,521.08	1,483,518,754.04
	1,501,277,165.08	1,517,046,540.18	1,519,525,521.08	1,483,518,754.04

Revenue is stated as follows:

	2019	2018
Revenue from contracts with customers	1,495,772,577.92	1,514,087,355.65
Rentals	5,504,587.16	5,438,165.43
	1,501,277,165.08	1,519,525,521.08

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

Disaggregation of revenue from contracts with customers is as follows:

	2019
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	1,430,757,033.36
Sales of gas appliances and others	7,732,603.10
Revenue recognised over time	
Gas connection income	54,160,832.71
Gas transportation	3,122,108.75
	1,495,772,577.92

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

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

Disaggregation of revenue from contracts with customers is as follows: *(continued)*

	2018
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	1,406,548,565.09
Sales of gas appliances and others	13,799,479.54
Revenue recognised over time	
Gas connection income	89,764,193.35
Gas transportation	3,975,117.67
	1,514,087,355.65

Revenue recognised that was included in contract liabilities at the beginning of the year:

	2019	2018
Sales of piped gas	121,019,292.83	126,008,432.13
Gas connection income	21,868,998.58	68,264,896.54
Sales of gas appliances and others	5,707,195.23	12,019,868.97
	148,595,486.64	206,293,197.64

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

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

Information about the Group's performance obligations is summarised below:

Sales of piped gas

The performance obligation is satisfied upon delivery of the products and payment is generally due within 90 to 180 days from delivery with respect to large scale industrial and commercial customers. For other customers, payment in advance is normally required.

Sales of gas appliances and others

The performance obligation is satisfied upon delivery of the products and short-term advances are normally required before delivering the products.

Gas connection

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

Gas transportation

The performance obligation is satisfied over time as services are rendered and the payment is generally due within 90 to 180 days from the date of rendering the services.

As at 31 December 2019, the transaction price allocated to the remaining performance obligation was RMB193,802,948.59 and the Group will recognise this revenue in future upon delivery of the products or when gas connection being completed.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

28. Taxes and surcharges

	2019	2018
Business tax	–	45,819.29
City maintenance and construction tax	1,036,692.76	242,667.79
Education supplementary tax	735,554.21	139,423.45
Tenure tax	374,064.42	473,207.19
Vehicle use tax	22,890.33	21,507.15
Stamp duty	254,515.68	312,733.09
Property tax	359,244.44	376,455.37
Others	45,729.39	49,062.47
	2,828,691.23	1,660,875.80

29. Administrative expenses

Administrative expenses for the year 2019 included auditors' remuneration of RMB1,000,000.00 (2018: RMB950,000.00).

30. Finance costs

	2019	2018
Interest income	(21,362,581.89)	(18,701,463.11)
Foreign exchange differences	(1,590.59)	422,982.35
Others	600,646.71	317,621.62
	(20,763,525.77)	(17,960,859.14)

All the interest income of the Group is generated from current deposits, time deposits and seven-day notice deposits.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

31. Other income

	2019	2018
Government grants related to daily operation	11,609,675.67	15,103,303.00
	11,609,675.67	15,103,303.00

Government grants related to daily operation are as follows:

	2019	2018	Relevant to asset/income
Tax refund (note 1)	1,630,040.62	9,256,599.38	Income
Deferred income (note 2)	7,490,379.05	5,633,288.49	Asset/income
Others (note 3)	2,489,256.00	213,415.13	Income
	11,609,675.67	15,103,303.00	

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 (2018: RMB9,256,599.38).

Note 2: The deferred income represented government grants related to the Group's daily operation and pipeline reconstruction projects. Please refer to Note V.21 for more details.

Note 3: The Group received a subsidy from Chadian Street agency of the 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 during the year.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

32. Investment income

	2019	2018
Income from long-term equity investments under the equity method	3,915,204.68	1,081,141.28
Income from held-for-trading financial assets held	16,441,974.87	14,363,561.64
	20,357,179.55	15,444,702.92

33. Credit impairment losses

	2019	2018
Bad debt loss of trade receivables	4,252,209.95	(485,447.41)
Bad debt loss of other receivables	289,347.03	69,000.00
	4,541,556.98	(416,447.41)

34. Asset impairment losses

	2019	2018
Impairment loss of construction in progress	(1,035,000.00)	-
	(1,035,000.00)	-

35. Non-operating income

	2019	2018
Others	28,253.11	142,720.06
	28,253.11	142,720.06

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

36. Non-operating expenses

	2019	2018
Losses on scrap of non-current assets	1,272,113.09	64,561.50
Surcharges	91,007.09	–
Compensations	152,071.55	–
Others	30,456.34	659.18
	1,545,648.07	65,220.68

37. Expenses by nature

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

	2019	2018
Cost of piped gas purchased	1,287,917,500.58	1,241,560,870.04
Cost of gas connection services	28,556,710.16	42,301,368.54
Cost of gas meters	5,045,595.72	9,424,298.91
Employee benefits	130,476,249.84	128,483,814.32
Depreciation and amortisation	52,240,335.91	52,137,035.63
Maintenance expenses	25,758,419.45	20,024,407.28
Agency fees	7,720,713.92	7,743,592.35
Transportation expenses	1,695,400.41	2,187,975.18
Labor protection expenses	1,248,617.43	1,107,489.44
Vehicle expenses	915,907.66	948,320.63
Others	7,354,083.24	6,900,140.70
	1,548,929,534.32	1,512,819,313.02

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

38. Income tax expense

	2019	2018
Current income tax expense	2,802,249.99	19,250,927.90
Deferred tax expense	(2,603,727.11)	(5,486,179.10)
	198,522.88	13,764,748.80

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

	2019	2018
Total profit	4,238,482.54	53,215,249.29
Income tax expense at the statutory or applicable tax rate (note 1)	1,059,620.63	13,303,812.33
Income not subject to tax	(978,801.17)	(270,285.32)
Deductible expenses of previous periods	(309,522.28)	–
Expenses not deductible for tax	27,234.42	319,315.32
Adjustments in respect of current tax of previous periods	(1,620.53)	23,557.62
Deductible temporary differences and tax losses not recognised	401,611.81	388,348.85
Tax expense at the Group's effective tax rate	198,522.88	13,764,748.80

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)

Year ended 31 December 2019

Renminbi Yuan

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

39. Earnings per share

	2019 RMB/Share	2018 RMB/Share
Basic earnings per share		
Continuing operations	0.002	0.022
Diluted earnings per share		
Continuing operations	0.002	0.022

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

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

	2019	2018
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	4,382,854.34	39,720,652.39
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)

Year ended 31 December 2019

Renminbi Yuan

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

40. Supplementary information to the statement of cash flows

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

	2019	2018
Net profit	4,039,959.66	39,450,500.49
Add: Provisions for asset impairment	(3,506,556.98)	416,447.41
Depreciation of fixed assets	51,866,171.44	51,762,995.06
Amortisation of intangible assets	374,164.47	374,040.57
Decrease in provisions	(1,612,720.00)	(166,475.48)
Increase in deferred income	15,534,185.39	21,694,744.51
Losses on scrap of fixed assets	1,272,113.09	64,561.50
Finance costs	(7,866,626.46)	(15,213,434.51)
Investment income	(20,357,179.55)	(15,444,702.92)
Increase in deferred tax assets	(2,603,727.11)	(5,486,179.10)
(Increase)/decrease in inventories	(2,909,554.80)	498,714.76
(Increase)/decrease in operating receivables	(67,006,148.93)	135,987,588.34
Increase/(decrease) in operating payables	33,765,370.11	(18,337,430.92)
Increase/(decrease) in specialised reserve and others	(1,238,089.11)	1,238,089.11
Net cash flows from operating activities	(248,638.78)	196,839,458.82

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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

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

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

Movement in cash and cash equivalents:

	2019	2018
Closing balance of cash	457,658,074.88	511,286,336.89
Less: Opening balance of cash	511,286,336.89	286,395,411.22
Net increase/(decrease) in cash and cash equivalents	(53,628,262.01)	224,890,925.67

(2) **Cash and cash equivalents**

	2019	2018
Cash	457,658,074.88	511,286,336.89
Including: Cash on hand	14,311.34	17,545.34
Bank deposits on demand	457,643,763.54	511,268,791.55

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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VI. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Details of the subsidiaries of the Company are as follows:

	Principal place of business	Place of registration	Nature of Company	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	Limited liability company	Investment	20,000,000.00	100%	100%
烏蘭察布市乾生天聯公用事業有限責任公司	Inner Mongolia	Inner Mongolia	Limited liability company	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	Limited liability company	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	Limited liability company	Mining business	5,000,000.00	70%	70%

2. Interests in an associate

	Principal place of business	Place of registration	Nature of Company	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	Limited liability company	Gas sales and transportation	7,200,000.00	30.55%	Equity

天津市濱海燃氣有限公司, 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)

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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:

	2019	2018
Current assets	220,999,817.54	133,925,698.20
Non-current assets	296,404,570.62	298,960,969.61
Total assets	517,404,388.16	432,886,667.81
Current liabilities	249,248,034.79	174,674,581.34
Non-current liabilities	119,015,807.53	120,404,451.60
Total liabilities	368,263,842.32	295,079,032.94
Net assets	149,140,545.84	137,807,634.87
Net assets portion based on shareholding	45,560,619.49	42,098,630.13
Adjustment	3,597,233.35	3,597,233.35
Carrying amount of investment	49,157,852.84	45,695,863.48
	2019	2018
Revenue	190,064,590.61	164,337,085.25
Income tax expense	6,561,756.49	2,038,140.44
Net profit	12,815,727.27	3,538,923.99
Other comprehensive income	–	–
Total comprehensive income	12,815,727.27	3,538,923.99
Dividends received	656,866.15	1,196,887.20

NOTES TO FINANCIAL STATEMENTS (continued)

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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:

2019

Financial assets

	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Cash and bank balances	–	801,489,613.57	–	801,489,613.57
Held-for-trading financial assets	402,665,901.82	–	–	402,665,901.82
Trade receivables	–	257,408,694.41	–	257,408,694.41
Receivables financing	–	–	74,681,820.20	74,681,820.20
Other receivables	–	2,301,073.75	–	2,301,073.75
	402,665,901.82	1,061,199,381.73	74,681,820.20	1,538,547,103.75

Financial liabilities

	Financial liabilities measured at amortised cost	Total
Trade payables	395,694,120.33	395,694,120.33
Other payables	24,483,281.26	24,483,281.26
	420,177,401.59	420,177,401.59

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Classification of financial instruments (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: (continued)

2018

Financial assets

	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Cash and bank balances	–	663,444,724.36	–	663,444,724.36
Held-for-trading financial assets	606,575,890.41	–	–	606,575,890.41
Bills receivable	–	143,200,000.00	–	143,200,000.00
Trade receivables	–	85,190,395.82	–	85,190,395.82
Receivables financing	–	–	51,615,158.62	51,615,158.62
Other receivables	–	3,968,845.97	–	3,968,845.97
	606,575,890.41	895,803,966.15	51,615,158.62	1,553,995,015.18

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
	392,501,087.46	392,501,087.46

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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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, receivables financing 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)

Year ended 31 December 2019

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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 maximum exposure to credit risk of the Group at each balance sheet date is the total amount charged to the customers less the amount of the impairment provision.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed according to customers, geographic areas and industries. As at 31 December 2019, the Group had certain concentrations of credit risk as 67% (31 December 2018: 18%) and 83% (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.

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:

- (1) Quantitative criteria are mainly that the increase in probability of default for remaining lifetime at the reporting date is considered to be significant comparing with the one at initial recognition;
- (2) Qualitative criteria are the significant adverse change in debtor's operation or financial status, the watch-list, etc.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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

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

Credit risk *(continued)*

Definition of credit-impaired financial assets

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 a debtor occurred, the following factors are mainly considered:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) 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;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
- (6) 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)

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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.

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.

Exposure to credit risk

As at 31 December 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 12 months and entire lifetime. Please refer to Note V.4 Trade receivables and Note V.7 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 31 December 2019, the Group's assessment methods and major assumptions have not changed.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 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:

2019

	On demand	Within 3 months	3 months to 1 year	Total
Trade payables	–	395,694,120.33	–	395,694,120.33
Other payables	10,974,939.71	13,508,341.55	–	24,483,281.26
	10,974,939.71	409,202,461.88	–	420,177,401.59

2018

	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)

Year ended 31 December 2019
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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, fixed deposits with terms over 3 months and structured deposits which cannot be terminated prematurely within the maturity periods, 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 of the Group as at the end of the reporting periods were as follows:

	2019	2018
Gearing ratio	31%	30%

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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VIII. FAIR VALUE

1. Assets and liabilities measured at fair value

2019

	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	-	402,665,901.82	-	402,665,901.82
Receivables financing	-	74,681,820.20	-	74,681,820.20
	-	477,347,722.02	-	477,347,722.02

2018

	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
Receivables financing	-	51,615,158.62	-	51,615,158.62
	-	658,191,049.03	-	658,191,049.03

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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.

4. Other related parties

Relationship with related parties

津燃華潤燃氣有限公司	A joint venture of the controlling shareholder
天津濱海燃氣集團有限公司	A subsidiary of the controlling shareholder
天津市燃氣熱力規劃設計研究院有限公司	A subsidiary of the controlling shareholder
天津泰華燃氣有限公司	A subsidiary of the controlling shareholder
天津市液化氣工程有限公司	A subsidiary of the controlling shareholder
天津市裕民燃氣表具有限公司	A subsidiary of the controlling shareholder
天津市聯寅煤氣通信技術有限責任公司	A subsidiary of the controlling shareholder
天津濱海中油燃氣有限責任公司	A subsidiary of the controlling shareholder
天津市益銷燃氣工程發展有限公司	A subsidiary of the controlling shareholder
天津市熱力有限公司	A subsidiary of the controlling shareholder
天津市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

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

	2019	2018
津燃華潤燃氣有限公司	1,292,529,341.05	1,229,894,010.49

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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

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

Gas transportation and rent services provided to related parties

	2019	2018
天津濱海燃氣集團有限公司	5,504,587.16	5,438,165.43
津燃華潤燃氣有限公司	3,122,108.75	3,975,117.67
	8,626,695.91	9,413,283.10

Sales of piped gas to related parties

	2019	2018
天津泰華燃氣有限公司	190,924,604.92	178,992,169.78
天津市熱力有限公司	1,092,336.86	553,635.78
天津濱海中油燃氣有限責任公司	106,863.93	213,137.26
Tianjin Energy Investment Company Limited	31,985.35	-
天津市液化氣工程有限公司	7,377.84	4,011.92
天津市益銷燃氣工程發展有限公司	584.26	-
天津市津能投資有限公司	-	27,593.25
	192,163,753.16	179,790,547.99

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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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

	2019	2018
Gas connection services received		
天津市益銷燃氣工程發展有限公司	5,104,779.69	2,532,423.19
天津市聯益燃氣配套工程有限責任公司	3,017,721.39	1,080,548.12
天津市液化氣工程有限公司	1,874,068.23	863,487.27
天津市眾元天然氣工程有限公司	686,905.92	410,645.86
	10,683,475.23	4,887,104.44
Gas meter installation services received		
津燃華潤燃氣有限公司	3,535,440.37	–
天津市益銷燃氣工程發展有限公司	3,154,671.56	6,651,810.91
	6,690,111.93	6,651,810.91

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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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 gas meters from related parties

	2019	2018
津燃華潤燃氣有限公司	10,850,929.21	–
天津市裕民燃氣表具有限公司	9,071,522.85	9,886,777.54
	19,922,452.06	9,886,777.54

Purchase of internet services from a related party

	2019	2018
天津市益銷燃氣工程發展有限公司	81,132.08	81,132.08

Construction design services received from a related party

	2019	2018
天津市燃氣熱力規劃設計研究院有限公司	2,131,651.60	2,448,397.86

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 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 fixed assets from a related party

	2019	2018
天津市聯寅煤氣通信技術有限責任公司	168,897.16	—

Rental of buildings from related parties

	2019	2018
天津市液化氣有限責任公司	466,285.74	—
天津市益銷燃氣工程發展有限公司	200,807.33	—
	667,093.07	—

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

(2) Remuneration of key management

	2019	2018
Remuneration of key management	3,178,807.83	2,616,843.49

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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, Binhai Gas Group and the 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.

7. Amounts due from related parties

	2019	2018
Trade receivables		
天津泰華燃氣有限公司	12,201,168.65	18,322,950.66
天津濱海燃氣集團有限公司	7,000,000.00	3,000,000.00
津燃華潤燃氣有限公司	3,405,756.29	22,880.00
天津市熱力有限公司	7,583.84	–
天津濱海中油燃氣有限責任公司	1,552.21	1,225.21
天津市液化氣工程有限公司	–	131.86
	22,616,060.99	21,347,187.73

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

7. Amounts due from related parties (continued)

	2019	2018
Other receivables		
Tianjin Energy Investment Company Limited	1,664,564.44	–
津燃華潤燃氣有限公司	213,766.47	2,920,372.00
	1,878,330.91	2,920,372.00

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

8. Amounts due to related parties

	2019	2018
Trade payables		
津燃華潤燃氣有限公司	245,812,414.95	235,600,718.32
天津市益銷燃氣工程發展有限公司	20,862,648.96	15,254,420.09
天津市裕民燃氣表具有限公司	8,069,194.72	5,874,648.85
天津市燃氣熱力規劃設計研究院有限公司	4,408,607.80	3,022,078.80
天津市聯益燃氣配套工程有限責任公司	2,683,043.42	424,741.65
天津市液化氣工程有限公司	2,294,687.76	6,043,046.37
天津市眾元天然氣工程有限公司	1,219,838.00	476,539.45
天津市津能工程管理有限公司	–	5,805.00
	285,350,435.61	266,701,998.53

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

8. Amounts due to related parties (continued)

	2019	2018
Contract liabilities		
天津市熱力有限公司	1,966,335.60	2,865,026.86
天津濱海中油燃氣有限責任公司	111,292.82	89,026.12
Tianjin Energy Investment Company Limited	1,344.01	–
天津市津能投資有限公司	–	5,127.33
	2,078,972.43	2,959,180.31
	2019	2018
Other payables		
津燃華潤燃氣有限公司	1,992,375.66	1,938,797.36
天津市益銷燃氣工程發展有限公司	186,403.66	–
天津市聯寅煤氣通信技術有限責任公司	18,950.00	–
Tianjin Gas	–	22,058,312.60
	2,197,729.32	23,997,109.96

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

NOTES TO FINANCIAL STATEMENTS (continued)

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Renminbi Yuan

X. COMMITMENTS AND CONTINGENCIES

1. Commitments

	2019	2018
Contracted but not provided for Capital commitments	168,013,829.38	805,000.00
	168,013,829.38	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.

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 five reportable operating segments as follows:

- (1) Sales of piped gas;
- (2) Gas connection;
- (3) Gas transportation;
- (4) Sales of gas appliances and others;
- (5) Gas pipelines rent.

NOTES TO FINANCIAL STATEMENTS (continued)

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XII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Operating segments (continued)

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.

2019

	Sales of piped gas	Gas connection	Gas transportation	Sales of gas appliances and others	Gas pipelines rent	Total
Revenue from external customers	1,430,757,033.36	54,160,832.71	3,122,108.75	7,732,603.10	5,504,587.16	1,501,277,165.08
Operating profit/(loss)	(48,894,224.11)	25,502,073.26	1,095,198.84	2,667,129.67	1,031,756.01	(18,598,066.33)
Add: Other income						11,609,675.67
Investment income						20,357,179.55
Credit impairment losses						4,541,556.98
Asset impairment losses						(1,035,000.00)
Less: Administrative expenses						31,882,994.14
Finance costs						(20,763,525.77)
Add: Non-operating income						28,253.11
Less: Non-operating expenses						1,545,648.07
Total profit						4,238,482.54

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Operating segments (continued)

2018

	Sales of piped gas	Gas connection	Gas transportation	Sales of gas appliances and others	Gas pipelines rent	Total
Revenue from external customers	1,406,548,565.09	89,764,193.35	3,975,117.67	13,799,479.54	5,438,165.43	1,519,525,521.08
Operating profit/(loss)	(20,288,118.76)	47,364,710.51	1,949,745.52	4,349,792.04	969,761.93	34,345,891.24
Add: Other income						15,103,303.00
Investment income						15,444,702.92
Credit impairment losses						(416,447.41)
Less: Administrative expenses						29,300,558.98
Finance costs						(17,960,859.14)
Add: Non-operating income						142,720.06
Less: Non-operating expenses						65,220.68
Total profit						53,215,249.29

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.

Other information

Information about products and services

For the revenue classified by category, please refer to Note V.27.

Geographical information

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019
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XII. OTHER SIGNIFICANT EVENTS *(continued)*

1. Segment reporting *(continued)*

Other information *(continued)*

Information about major customers

In 2019, the Group's operating revenue of RMB616,720,114.29 (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) (2018: RMB574,123,147.56).

2. Leases

(1) As lessor

The Group has entered into operating leases on some of its gas pipelines and the lease term is 2 years. Please refer to Note IX.6. In 2019, the rental income recognised by the Group on those gas pipelines was RMB5,504,587.16. Please refer to Note V.27.

Operating leases

The profit or loss relating to operating leases is as follows:

	2019
Rentals	5,504,587.16

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2019
Within 1 year, inclusive	6,000,000.00
1 to 2 years, inclusive	2,000,000.00
	8,000,000.00

For fixed assets leased out under operating leases, refer to Note V.11.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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XII. OTHER SIGNIFICANT EVENTS (continued)

2. Leases (continued)

(2) As lessee

	2019
Expenses relating to short-term leases accounted for under the simplified approach	782,926.80
Total cash outflow for leases	817,840.00

The Group has lease contracts for houses and buildings and electronics used in its operations. Leases of houses and buildings and electronics generally have lease terms of one year. Generally, the Group is restricted from subleasing the leased assets.

The Group has no leases which have been promised but not yet commenced.

Significant operating leases (only applicable to 2018)

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

	2018
Within 1 year, inclusive	44,800.00
1 to 2 years, inclusive	-
	44,800.00

Other information relating to leases

For practical expedients of short-term leases, refer to Note III.22.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS *(continued)*

3. Remuneration of directors, supervisors and chief executive

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

	2019	2018
Fees	300,000.00	300,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	870,932.30	731,016.21
Performance related bonuses	538,516.00	218,741.00
Pension scheme contributions	130,578.36	121,228.74
	1,540,026.66	1,070,985.95
	1,840,026.66	1,370,985.95

(1) Independent non-executive directors

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

	2019	2018
Zhang Yinghua	50,000.00	50,000.00
Yu Jianjun	50,000.00	50,000.00
Guo Jiali	50,000.00	50,000.00
	150,000.00	150,000.00

There was no other remuneration payable to the independent non-executive directors during the year (2018: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

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XII. OTHER SIGNIFICANT EVENTS (continued)

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

(2) Executive directors, non-executive directors, the chief executive and supervisors

2019

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors:					
Tang Jie	50,000.00	-	-	-	50,000.00
Zhao Wei (notes 4 and 9)	-	305,558.40	147,852.00	35,930.52	489,340.92
Wang Quanhong (notes 3 and 9)	-	293,052.40	147,852.00	35,930.52	476,834.92
	50,000.00	598,610.80	295,704.00	71,861.04	1,016,175.84
Non-executive directors:					
Wang Jin (notes 5 and 9)	-	-	-	-	-
Zhao Henghai (notes 5 and 9)	-	-	-	-	-
Hou Shuangjiang (notes 6 and 9)	-	-	-	-	-
	-	-	-	-	-
Supervisors:					
Hao Li	-	160,718.66	140,922.67	35,930.52	337,571.85
Xu Hui	50,000.00	-	-	-	50,000.00
Yang Huling	-	-	-	-	-
Liu Zhiyuan	50,000.00	-	-	-	50,000.00
You Huiyan (note 8)	-	111,602.84	101,889.33	22,786.80	236,278.97
	100,000.00	272,321.50	242,812.00	58,717.32	673,850.82
	150,000.00	870,932.30	538,516.00	130,578.36	1,690,026.66

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

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

(2) Executive directors, non-executive directors, the chief executive and supervisors (continued)

2018

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS *(continued)*

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

(2) Executive directors, non-executive directors, the chief executive and supervisors

(continued)

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

Note 2: Mr. Zhang Guojian resigned as the general manager of the Company on 19 April 2018. The Company does not have any officer with the title of “chief executive officer” or “chief executive”, but the duties of the chief executive officer have been carried out by Mr. Zhang Guojian, the general manager of the Company. The emoluments disclosed above include those for services rendered by him as the general manager of the Company. Mr. Zhang Guojian retired as an executive director of the Group on 26 June 2018.

Note 3: Mr. Wang Quanhong was appointed as an executive director of the Group on 26 June 2018. The Company does not have any officer with the title of “chief executive officer” or “chief executive”, but the duties of the chief executive officer have been carried out by Mr. Wang Quanhong, the general manager of the Company. The emoluments disclosed above include those for services rendered by him as the general manager of the Company.

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

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

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

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

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

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

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

There were no other payments made or benefits provided by the Group in respect of the termination of the services of directors, whether in the capacity of directors or in any other capacity while being directors during the year.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

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

(3) Five highest paid employees

The five highest paid employees during the year included two directors (2018: one director and one supervisor), details of whose remuneration are set out in Note XII.3.(2). Details of remunerations for the year of the remaining three (2018: three) highest paid employees who are not a director or chief executive of the Company are as follows:

	2019	2018
Salaries, allowances and benefits in kind	647,160.20	665,090.51
Performance related bonuses	382,647.00	701,673.00
Pension scheme contributions	107,791.56	126,085.14
	1,137,598.76	1,492,848.65

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	2018
Nil to HK\$1,000,000	3	3

4. Comparative amounts

As further explained in Note III.28, due to the adoption of 財會[2019]6號 and 財會[2019]16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)

Year ended 31 December 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:

	2019	2018
Within 1 year	255,400,003.03	84,475,260.94
1 to 2 years	2,136,345.85	2,778,067.52
2 to 3 years	2,431,160.96	2,501,273.51
Over 3 years	8,945,827.05	11,192,646.28
	268,913,336.89	100,947,248.25
Less: Provision for bad debts of trade receivables	11,504,642.48	15,756,852.43
	257,408,694.41	85,190,395.82

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

	Opening balance	Provision for the year	Reversal during the year	Closing balance
2019	15,756,852.43	715,800.55	(4,968,010.50)	11,504,642.48
2018	15,271,405.02	2,282,226.61	(1,796,779.20)	15,756,852.43

In 2019, the Company provided bad debts of RMB715,800.55 (2018: RMB2,282,226.61), and reversed bad debts of RMB4,968,010.50 (2018: RMB1,796,779.20).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 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:

	2019				2018			
	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	10,933,947.12	4.1	10,933,947.12	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	257,979,389.77	95.9	570,695.36	0.2	85,352,490.63	84.6	162,094.81	0.2
	268,913,336.89	100.0	11,504,642.48	4.3	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:

	2019			2018		
	Estimated carrying amount arising from default	Expected credit loss rate	Lifetime expected credit loss	Estimated carrying amount arising from default	Expected credit loss rate	Lifetime expected credit loss
1 to 6 months	250,721,670.74	-	-	83,673,781.14	-	-
6 months to 1 year	4,678,332.29	5.0%	233,916.61	801,479.80	5.0%	40,073.99
1 to 2 years	1,829,145.85	10.0%	182,914.59	762,903.52	10.0%	76,290.35
2 to 3 years	731,160.96	20.0%	146,232.19	-	20.0%	-
Over 3 years	19,079.93	40.0%	7,631.97	114,326.17	40.0%	45,730.47
	257,979,389.77	0.2%	570,695.36	85,352,490.63	0.2%	162,094.81

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 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:

	2019	2018
Within 1 year	3,680,981.15	4,351,917.90
1 to 2 years	740,448.00	175,600.50
2 to 3 years	160,040.50	403,413.16
Over 3 years	2,535,251.29	2,562,491.23
	7,116,720.94	7,493,422.79
Less: Provision for bad debts of other receivables	2,488,941.29	2,778,288.32
	4,627,779.65	4,715,134.47

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

2019

	Stage 1 Expected credit losses over the next 12 months	Total
Opening balance	2,778,288.32	2,778,288.32
Provision for the year	6,200.00	6,200.00
Reversal during the year	(295,547.03)	(295,547.03)
Transfer during the year	-	-
Write-off during the year	-	-
Closing balance	2,488,941.29	2,488,941.29

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 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: (continued)

2018

	Stage 1 Expected credit losses over the next 12 months	Total
Opening balance	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	–	–
Closing balance	2,778,288.32	2,778,288.32

Other receivables by nature are as follows:

	2019	2018
Employees' borrowings	224,460.19	818,437.76
Subsidy	1,664,564.44	2,920,000.00
Deposits and others	5,227,696.31	3,754,985.03
	7,116,720.94	7,493,422.79

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

3. Long-term equity investments

2019

	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	45,695,863.48	4,118,855.51	(656,866.15)	49,157,852.84	-
Subsidiaries					
- 天津天聯投資有限公司	20,000,000.00	-	-	20,000,000.00	(20,000,000.00)
- 烏蘭察布市乾生天聯公用事業 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)

2018

	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)
- 烏蘭察布市乾生天聯公用事業 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)

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 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:

2019

	Opening balance	Increase	Decrease	Closing balance
天津天聯投資有限公司	20,000,000.00	–	–	20,000,000.00
烏蘭察布市乾生天聯公用事業 有限責任公司	600,000.00	–	–	600,000.00
	20,600,000.00	–	–	20,600,000.00

2018

	Opening balance	Increase	Decrease	Closing balance
天津天聯投資有限公司	20,000,000.00	–	–	20,000,000.00
烏蘭察布市乾生天聯公用事業 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)

Year ended 31 December 2019

Renminbi Yuan

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

4. Revenue and cost of sales

	2019		2018	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	1,501,277,165.08	1,517,046,540.18	1,519,525,521.08	1,483,518,754.04
	1,501,277,165.08	1,517,046,540.18	1,519,525,521.08	1,483,518,754.04

Revenue is stated as follows:

	2019	2018
Revenue from contracts with customers	1,495,772,577.92	1,514,087,355.65
Rentals	5,504,587.16	5,438,165.43
	1,501,277,165.08	1,519,525,521.08

Disaggregation of revenue from contracts with customers is as follows:

	2019
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	1,430,757,033.36
Sales of gas appliances and others	7,732,603.10
Revenue recognised over time	
Gas connection income	54,160,832.71
Gas transportation	3,122,108.75
	1,495,772,577.92

NOTES TO FINANCIAL STATEMENTS (continued)

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

4. Revenue and cost of sales (continued)

Disaggregation of revenue from contracts with customers is as follows: (continued)

	2018
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	1,406,548,565.09
Sales of gas appliances and others	13,799,479.54
Revenue recognised over time	
Gas connection income	89,764,193.35
Gas transportation	3,975,117.67
	<u>1,514,087,355.65</u>

Revenue recognised that was included in contract liabilities at the beginning of the year:

	2019	2018
Sales of piped gas	121,019,292.83	126,008,432.13
Gas connection income	21,868,998.58	68,264,896.54
Sales of gas appliances and others	5,707,195.23	12,019,868.97
	<u>148,595,486.64</u>	<u>206,293,197.64</u>

Information about the Company's performance obligations is summarised below:

Sales of piped gas

The performance obligation is satisfied upon delivery of the products and payment is generally due within 90 to 180 days from delivery with respect to large scale industrial and commercial customers. For other customers, payment in advance is normally required.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2019

Renminbi Yuan

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

4. Revenue and cost of sales (continued)

Information about the Company's performance obligations is summarised below: (continued)

Sales of gas appliances and others

The performance obligation is satisfied upon delivery of the products and short-term advances are normally required before delivering the products.

Gas connection

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

Gas transportation

The performance obligation is satisfied over time as services are rendered and the payment is generally due within 90 to 180 days from the date of rendering the services.

As at 31 December 2019, the transaction price allocated to the remaining performance obligation was RMB193,802,948.59 and the Company will recognise this revenue in future upon delivery of the products or when gas connection being completed.

5. Investment income

	2019	2018
Income from long-term equity investments under the equity method	3,915,204.68	1,081,141.28
Income from held-for-trading financial assets held	16,441,974.87	14,363,561.64
	20,357,179.55	15,444,702.92

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2019 RMB'000	Year ended 31 December			
		2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	1,501,277	1,519,526	1,469,164	1,198,149	1,322,843
Net profit for the year and total comprehensive income for the year	4,040	39,451	38,673	36,960	36,689
Net profit for the year and total comprehensive income for the year attributable to shareholders of the Parent	4,383	39,721	40,073	37,659	37,341

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2019 RMB'000	As at 31 December			
		2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Current assets	1,577,139	1,563,196	1,526,099	1,403,113	1,259,113
Non-current assets	961,046	930,389	934,444	958,619	952,096
Current liabilities	673,056	646,996	648,413	604,081	504,906
Non-current liabilities	107,084	91,550	66,590	50,599	36,028
Equity attributable to shareholders of the Parent	1,762,756	1,759,408	1,749,638	1,709,749	1,672,273