



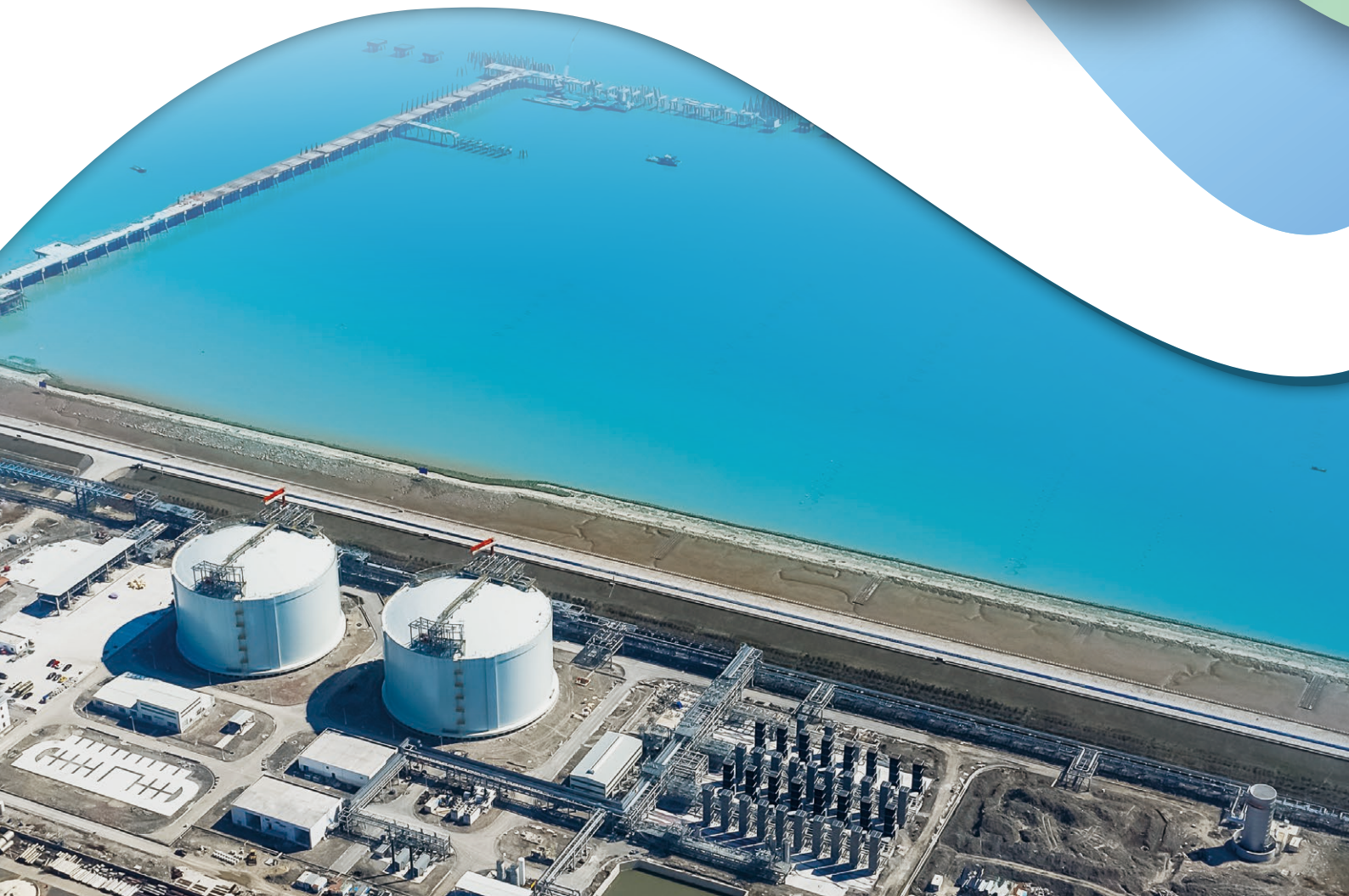
嘉興市燃氣集團股份有限公司 JIAXING GAS GROUP CO., LTD.*

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

Stock code : 9908

2020 ANNUAL REPORT

* For identification purposes only



CONTENTS

2	CORPORATE INFORMATION
3	DEFINITIONS
6	FINANCIAL HIGHLIGHTS
7	CHAIRMAN'S STATEMENT
9	MANAGEMENT DISCUSSION AND ANALYSIS
15	BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
23	REPORT OF THE DIRECTORS
39	REPORT OF THE BOARD OF SUPERVISORS
40	CORPORATE GOVERNANCE REPORT
53	INDEPENDENT AUDITOR'S REPORT
58	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
59	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
61	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
62	CONSOLIDATED STATEMENT OF CASH FLOWS
64	NOTES TO FINANCIAL STATEMENTS
152	FOUR YEAR FINANCIAL SUMMARY

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sun Lianqing (*Chairman and chief executive officer*)

Mr. Xu Songqiang

Non-executive Directors

Mr. He Yujian

Mr. Zheng Huanli

Mr. Fu Songquan

Independent Non-executive Directors

Mr. Xu Linde

Mr. Yu Youda

Mr. Cheng Hok Kai Frederick

SUPERVISORS

Ms. Liu Wen

Ms. Xu Shuping

Mr. Wang Dongzhi

AUDIT COMMITTEE

Mr. Cheng Hok Kai Frederick (*Chairman*)

Mr. Yu Youda

Mr. Xu Linde

NOMINATION COMMITTEE

Mr. Sun Lianqing (*Chairman*)

Mr. Xu Linde

Mr. Yu Youda

REMUNERATION COMMITTEE

Mr. Yu Youda (*Chairman*)

Mr. He Yujian

Mr. Cheng Hok Kai Frederick

JOINT COMPANY SECRETARIES

Ms. Zhou Caihong

Ms. Sun Ah Tsang (ACS, ACG)

(*Resigned on 26 February 2021*)

Ms. Lo Ka Man (ACS, ACG)

(*Appointed on 26 February 2021*)

AUTHORIZED REPRESENTATIVES

Mr. Sun Lianqing

Ms. Sun Ah Tsang (*Resigned on 26 February 2021*)

Ms. Lo Ka Man (*Appointed on 26 February 2021*)

REGISTERED OFFICE AND HEADQUARTER IN THE PRC

5th Floor, Building 3

Hualong Plaza

Economic and Technological Development Zone

Jiaying

Zhejiang Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

HONG KONG H SHARE REGISTRAR

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

AUDITOR

Ernst & Young

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

LEGAL ADVISOR

As to Hong Kong Law

Chiu & Partners

40/F, Jardine House

1 Connaught Place

Central

Hong Kong

As to PRC Law

Jia Yuan Law Offices

F408, Ocean Plaza

158 Fuxing Men Nei Street

Xicheng District

Beijing 100031

China

COMPLIANCE ADVISOR

BOCOM International (Asia) Limited

9th Floor, Man Yee Building

68 Des Voeux Road Central

Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.

(Jiaying Branch)

No. 1086, Zhongshan East Road

Jiaying

Zhejiang Province

PRC

Bank of Jiaying Co., Ltd

No. 1001, Changsheng South Road

Jiaying

Zhejiang Province

PRC

STOCK CODE

9908

COMPANY WEBSITE

<http://www.jxrqgs.com/>

DEFINITIONS

“AGM”	the annual general meeting of the Company to be held on 4 June 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended from time to time
“City Development”	Jiaxing City Investment & Development Group Co., Ltd. (嘉興市城市投資發展集團有限公司), a state-owned enterprise established under the laws of the PRC on 21 December 2009 and solely owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) and is indirectly wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會)
“Company” or “our Company”	JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司) (formerly known as Jiaxing Coalgas Company Limited* (嘉興市煤氣有限責任公司), Jiaxing Gas Company Limited* (嘉興市燃氣有限公司) and Jiaxing Gas Company Group Limited* (嘉興市燃氣集團有限公司), a joint stock limited liability company established under the laws of the PRC on 15 March 1998
“Concert Parties”	collectively, Taiding, Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華), by virtue of the concert party agreements dated 23 March 2016, 16 March 2017, 3 January 2018, 18 July 2019 and 31 December 2020
“Concessions”	the Jiaxing Urban Area Concession and the Jiaxing Port Area Concession
“Director(s)”	the directors of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
“Fengye”	Fengye Holdings Group Company Limited* (楓葉控股集團有限公司), a limited liability company established under the laws of the PRC on 24 April 1996, which is wholly-owned by Zhejiang Fengye Group Co., Ltd.* (浙江楓葉集團有限公司), which is in turn owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權). Save for its 3.89% equity interest in the Company as at the date of this annual report, it is an independent third party
“Gangqu Gas”	Jiaxing Gangqu Natural Gas Company Limited* (嘉興市港區天然氣有限公司), a limited liability company established under the laws of the PRC on 15 August 2003 and a direct non-wholly owned subsidiary of the Company
“Group”, “we”, “our” or “us”	the Company and its subsidiaries

DEFINITIONS (continued)

“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1 each, which are traded in Hong Kong dollars and listed on the Stock Exchange
“Hangjia Liquefied Gas”	Zhejiang Hangjia Liquefied Gas Company Limited* (浙江杭嘉液化天然氣有限公司), a limited liability company established under the laws of the PRC on 27 December 2019 and owned as to 70% by Hangjiixin and a subsidiary of our major joint venture
“Hangjiixin”	Zhejiang Hangjiixin Clean Energy Company Limited* (浙江杭嘉鑫清潔能源有限公司), a limited liability company established under the laws of the PRC on 24 July 2017 and owned as to 51% by the Company and regarded as a joint venture of the Company under the applicable accounting standards and a subsidiary of the Company pursuant to the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Jia’an”	Jiaying Jia’an Gas Technology Service Company Limited* (嘉興市佳安燃氣技術服務有限公司), a limited liability company established under the laws of the PRC on 19 December 2006 and a direct wholly-owned subsidiary of the Company
“Jiaran Construction”	Jiaying Jiaran Construction Company Limited* (嘉興市嘉燃建設有限公司), formerly known as Jia’an, a limited liability company established under the laws of the PRC on 19 December 2006 and a direct wholly-owned subsidiary of the Company
“Jiaran Liquefied Gas”	Jiaying Jiaran Liquefied Gas Company Limited* (嘉興市嘉燃液化氣有限公司), a limited liability company established under the laws of the PRC on 16 April 2012 and a direct wholly-owned subsidiary of the Company
“Jiaran New Energy”	Jiaying Jiaran New Energy Company Limited* (嘉興市嘉燃新能源有限公司), a limited liability company established under the laws of the PRC on 3 August 2016 and a direct wholly owned subsidiary of the Company
“Jie’an”	Jiaying Jie’an Transportation Company Limited* (嘉興市捷安運輸有限公司), a limited liability company established under the laws of the PRC on 4 September 2006 and a direct non-wholly owned subsidiary of the Company
“Listing Date”	16 July 2020, on which the H Shares are first listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“LNG”	liquefied natural gas
“LPG”	liquefied petroleum gas

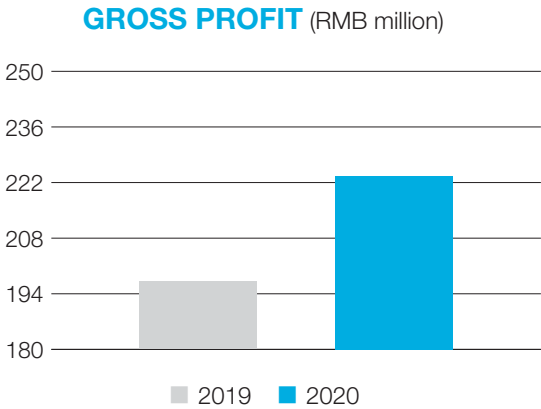
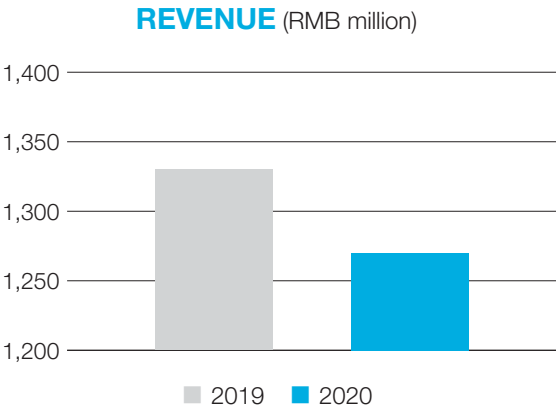
DEFINITIONS (continued)

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PNG”	natural gas distributed to end users through pipelines
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this annual report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus dated 30 June 2020 issued by the Company
“Qianyu”	Qianyu Group Company Limited* (乾宇集團有限公司), a limited liability company established under the laws of the PRC on 14 July 2009 and an associate of Mr. Fu Songquan (傅松權), the non-executive Director
“Reporting Period” or “Year”	the year ended 31 December 2020
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including both the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Taiding”	Zhejiang Taiding Investment Company Limited* (浙江泰鼎投資有限公司), a limited liability company established under the laws of the PRC on 26 January 2011 and owned as to 65% by Mr. Sun Lianqing and 35% by Ms. Xu Lili, the spouse of Mr. Sun Lianqing
“Zhuji Yujia”	Zhuji Yujia New Energy Technology Company Limited* (諸暨宇嘉新能源科技有 限公司), a limited liability company established under the laws of the PRC on 13 December 2018, a wholly-owned subsidiary of Qianyu and an associate of Mr. Fu Songquan (傅松權), the non-executive Director

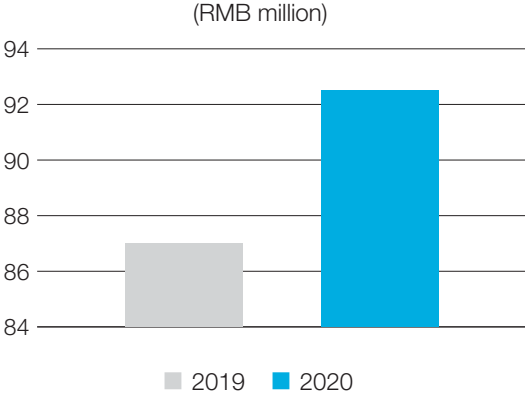
In this annual report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language are marked with “” and are provided for identification purposes only.*

FINANCIAL HIGHLIGHTS

- Revenue for the Year was RMB1,273.7 million, representing a decrease of 4.25% over last year.
- Gross profit for the Year was RMB223.6 million, representing an increase of 13.44% over last year.
- Profit attributable to the shareholders of the Company for the Year was RMB92.5 million, representing an increase of 6.44% over last year.
- The Board has proposed a final dividend of RMB0.25 (tax inclusive) per share for the Year.



PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Jiaxing Gas Group Co., Ltd., I am pleased to present the Annual Report 2020 of the Group to you.

2020 is an extraordinary year. The COVID-19 outbreak spread all over the world, which not only caused significant loss of human lives and health, but also seriously damaged the economy and trade in the world. The strong response of the PRC government for epidemic prevention and control enabled a majority of regions in China to meet the conditions for the resumption of work and production in late February 2020, and economic activities, especially industrial production, were resumed in the second quarter of 2020. The central government also introduced a series of economic stimuli and tax preference policies, including 30 policies and measures on financial support for epidemic prevention and control, so as to assist enterprises in rapidly resuming their production and alleviating their difficulties. By the end of the year, there was a turnaround of GDP from a 6.8% contraction in the first quarter to a increase of 2.3%. Affected by various factors including the COVID-19 outbreak, economy and market, the natural gas consumption in China in 2020 increased by 7.2% compared with 2019. According to the General Administration of Customs of China, the natural gas import volume of China in 2020 was 101.661 million tons (approximately 140.3 billion m³), representing a year-on-year increase of 6.3%. The LNG import volume was 67.13 million tons, representing a year-on-year increase of 10.75%.

BUSINESS REVIEW

In the industry environment, the Group was aggressive and overcame difficulties, thus achieving good results. In 2020, the total gas sales volume increased by 4.34% to 385 million m³. Reliance on the Group's various storage stations, adoption of a strategy of purchase from diversified gas sources, maximization of the resource utilization efficiency, upgrade of the construction qualification of subsidiaries of the Group, enhancement of the construction strength of the Group, and cost reduction, paid off, thus increasing the Group's gross profit margin by 2.73% year-on-year to 17.55%, and promoting the profit increase, with the net profit attributable to shareholders reaching RMB92.5 million, representing a rise of 6.44% compared with the same period of last year.

In order to share the results of operations of the Group in 2020 with all of its shareholders, the Board of Directors recommended the payment of a final dividend of RMB0.25 (tax inclusive) per share, subject to the approval at the annual general meeting of the Group.

CORPORATE SOCIAL RESPONSIBILITY

At the beginning of 2020 when COVID-19 broke out, which had varying impacts on all trades and industries, as an enterprise engaged in the public utility business, the Group actively performed its corporate and social responsibilities, and rapidly established an epidemic prevention and control leading team led by me. Lean and efficient management was ensured through a flat organization. Meanwhile, the Group internally and rapidly carried out daily reporting, employee health recording, prevention and control management of office and business premises, and publicity of epidemic prevention knowledge for employees, and actively secured epidemic prevention materials, including masks, protective clothings, goggles, disinfectants, hand sanitizers and other supplies, so as to fully protect its employees and provide epidemic prevention materials to local employees working at the frontline of the fight against the outbreak. During the epidemic, the Group did not suspend the work and production, so as to satisfy the natural gas demand of local users in both residential and industrial sectors. We believe that actively giving back to society and making society prosperous and stable are conducive to the sustainable development of the Company. Our employees actively joined the volunteer team to support the epidemic prevention work in communities. Meanwhile, the Group rapidly launched "contactless business services" to adapt to the development, epidemic prevention and control, and promoted the online business hall and the mobile application (APP) online service platform to provide convenience for users in business and draw our users closer with the Group.

CHAIRMAN'S STATEMENT (continued)

In immediate and active response to the Several Opinions on Resolutely Defeating the COVID-19 Outbreak and Making Efforts to Keep Businesses, Economy and Development Stable and the Notice on Temporary Reduction in Gas, Water and Electricity Bills for Enterprises During the COVID-19 Prevention and Control issued by the PRC government, the Group introduced “supply despite default in payment”, the early adoption of off-season prices and other relief policies for customers, so as to support enterprises in work and production resumption.

FUTURE PROSPECTS

2021 is the first year for the “14th Five-Year Plan” implemented by the PRC government. The main objectives of the economic and social development of China in the “14th Five-Year Plan” include “remarkable achievements in the green transformation of the mode of production and life, more rational allocation and substantial improvement in the utilization efficiency of energy resources, and the continuous reduction in the total discharge of major pollutants”. Many research results demonstrate that natural gas remains the most suitable clean energy for developing countries. For enhancing the competitiveness of natural gas with other energy sources, the most critical measure is cost reduction, which depends on the optimization of resource allocation, the improvement in the industry chain efficiency and the cost reduction in all processes, so as to improve the stability and economy of supply. As a city gas enterprise, the Group is committed to making arrangements for the industry chain. In the LNG receiving station project of the Group in Dushan Port, the reservoir area project was basically completed, while approximately 50% of the terminal project was finished, and the outgoing pipeline project was approved. The completion of the projects will help to greatly improve the advantages of the core competitiveness of the Group as an enterprise with “gas source plus terminal” in the industry chain. The Group will seize the opportunities from the national strategy of high-quality green development in the Yangtze River Delta region, actively explore business growth and seek comprehensive clean energy development, with locational advantages, and make arrangements for opening up new growth space.

APPRECIATION

Finally, on behalf of the Board of Directors, I would like to express my heartfelt thanks to all our shareholders, our customers and business partners for their support, and all our employees for their hard work.

Sun Lianqing

Chairman

Jiaxing, Zhejiang, the PRC

29 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2020, as the COVID-19 outbreak was quickly brought under control in China, China experienced a V-shaped economic recovery, with the economic growth rate of 2.3% for the year. According to the 2020 Statistical Report on National Economic and Social Development of the People's Republic of China released by the National Bureau of Statistics, in 2020, the natural gas consumption of China was 328.78 billion m³, representing a year-on-year increase of 7.2%, which was lower than the growth rate in the previous year.

At the general debate of the 75th session of the United Nations General Assembly, President Xi Jinping announced that China would “Aiming at peaking carbon dioxide emissions before 2030 and achieving carbon neutrality by 2060”, which represented a more urgent requirement on energy transition. During the “14th Five-Year Plan” period, efforts will be made to adapt the energy development of China to the requirements of national strategies of China, continuously deepen the supply-side and demand-side reform, accelerate the replacement of old drivers with new ones, enhance the digital and intelligent transformation of industries, strengthen the innovative development ability, increase the proportion of clean energy including natural gas and renewable energy, and gradually build a clean, low-carbon, safe and efficient modern energy system.

In 2020, the construction of natural gas production, supply, storage and sales system of China was continuously promoted. The National Oil and Gas Pipeline Network Group Corporation was officially put into operation, which contributes to positive progress in the interconnection of pipeline networks. The “dual-carbon” goal represents an urgent requirement on energy transition of China. The State Council of China issued a white paper titled Energy in China's New Era and unswervingly promoted the high-quality development of energy, enhanced the capacity to ensure energy security, and promoted the marketization and institutionalization of oil and gas, thus showing the direction for the energy development of China in the future. In 2021, it is expected that governments at all levels will publish more policies and measures to improve the clean energy supply capacity and energy efficiency and accelerate green development.

BUSINESS REVIEW

In 2020, a challenging year, with the enterprising spirit, the Group continuously made breakthroughs, improved its quality and efficiency, built its core competitiveness, and actively took effective measures to expand its business volume, so as to offset the impact of the outbreak on the gas sales volume in the first half of the year. For the Year, the Group recorded a positive growth of 4.34% to 385 million m³ in the gas sales volume, and an increase of 6.44% in the net profit attributable to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

For 2020, the revenue of the Group was RMB1,273.7 million, representing a slight decline of 4.25% as compared with 2019, due to the early adoption of off-season prices as required by National Development and Reform Commission, and the requirements of local governments for gas supply enterprises to take measures including reduction in the selling price, and introduction by the Group of a series of measures to tide over the difficulties with customers, including “supply despite default in payment”, as a result of the pandemic in 2020.

As at 31 December 2020, the Group, as the largest PNG supply operator in Jiaxing City, Zhejiang Province, China, operated a natural gas pipeline network in Operating Area in Jiaxing, with the total length of approximately 943 km (comprising 629.5 km of self-invested pipeline network and 313.5 km of leased urban pipeline network, and excluding 48.9 km of urban pipeline network under construction, among which 16.1 km was self-invested).

As at 31 December 2020, the Group had 380 thousand users within the pipeline network coverage, representing an increase of 31 thousand users compared with 2019. The Group also actively responded to national policies, and was deeply engaged in the market. The Group seized the opportunity arising out of the requirement of further improvement in quality and efficiency of energy development to meet the emissions peaking target. The Group tapped into and promoted the use by industrial and commercial enterprises of clean and low-carbon natural gas, and made efforts to improve the energy structure in local areas. Meanwhile, No. 1 Central Document promotes the use of gas in villages and towns, which will further facilitate the increase in the gas sales volume.

As at 31 December 2020, the LNG receiving terminal of Hangjiaxin in Dushan Port was under construction, with the completion of the reservoir area project and approximately 50% of terminal projects, and approval for outgoing pipelines. The LNG receiving terminal of Hangjiaxin in Dushan Port will serve as one of the gas sources in Zhejiang Province to satisfy the demand for the natural gas consumption in Hangzhou, Jiaxing and Huzhou. The operation of the terminal after the completion is expected to contribute to better growth in the business volume of the Group.

PROSPECTS

2021 is the first year for the implementation of the “14th Five-Year Plan” and “2035 Long-term Goal” in China. During the “14th Five-Year Plan” period, with a focus on the goal of the peaking of carbon emissions and carbon neutrality, the energy development of China will be implemented on the new path of low-carbon transformation and upgrade, and the energy industry will be in a period of accelerated reform. We believe that natural gas is still in the window period of rapid development. Driven by various factors including steady growth of macro-economy, stricter environmental protection policies, and the continuous progress in market reform, the status of natural gas as a low-carbon clean energy product is extremely prominent. The proportion of renewable energy consumption in the total energy consumption remains relatively low. The development of renewable energy requires huge industrial investment and infrastructure improvement, which is a relatively long-term process. Therefore, the role of natural gas is prominent. The “14th Five-Year” Plan for the Development of Coal, Petroleum and Natural Gas in Zhejiang Province (Draft for Comments) published by Zhejiang Energy Regulatory Office of National Energy Administration in March 2021 specifies that according to the requirements in the peaking carbon emissions action plan of Zhejiang Province, efforts will be made to significantly reduce the use of high-carbon fossil energy; more dependence will be placed on natural gas during the “14th Five-Year Plan” period; it is expected that there will be a significant increase in the gas consumption for power generation and industrial gas consumption.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The energy consumption structure of China also determines the prominent status of natural gas. The proportion of natural gas in the energy consumption structure of China is relatively low. According to the data published in the BP Statistical Review of World Energy 2020, the proportion of natural gas consumption in the primary energy consumption in 2019 is 7.81%, which is lower than the global average of 24.23%. According to the “14th Five-Year” Plan for the Development of Coal, Petroleum and Natural Gas in Zhejiang Province (Draft for Comments), the natural gas development target of Zhejiang Province is to increase the proportion of the natural gas consumption in the primary energy consumption structure to approximately 13% by 2025.

The Group believes that as the impact of the COVID-19 outbreak will be gradually eliminated with extensive vaccination in 2021, the basic conditions and supporting factors for the coordinated and steady development of the natural gas industry of China remain unchanged, in spite of many uncertainties about the international political and economic situation. At the seventy-fifth session of the United Nations General Assembly, President Xi Jinping announced that China would “Aiming at peaking carbon dioxide emissions before 2030 and achieving carbon neutrality by 2060”. For the natural gas industry of China, opportunities will be seized to increase the proportion of natural gas. In 2020, the construction of a natural gas production, supply, storage and sales system of China was continuously promoted, and the National Oil and Gas Pipeline Network Group Corporation was officially put into operation. The market-oriented reform of natural gas prices was deepened. According to relevant documents, the prices of PNG gateway stations in provinces with a competitive environment shall be determined by the market. Under the principle of “allowing for more competition in electricity generation, sales and consumption while tightening government regulation of power grid, transmission and distribution” for the national oil and gas reform, we will make efforts to accelerate the construction of the receiving terminal project of Dushan Port, capitalize on the economic and geographical advantages of the Yangtze River Delta region and the Group’s core competitive advantage of “gas source plus terminal”, tap into the core business in “electricity generation, sales and consumption”, pay more attention to customer value, understand customer needs in a timely manner and master the law of gas consumption of customers to increase the gas consumption of end customers, and expand our business size and volume.

FINANCIAL OVERVIEW

REVENUE

For the Year, the revenue of the Group was RMB1,273.7 million, representing a decrease of 4.25% compared with RMB1,330.3 million last year, mainly due to the decline in the average unit selling price of natural gas.

OTHER INCOME AND GAINS

For the Year, the other income and gains of the Group were RMB4.7 million, representing an increase of 261.54% compared with RMB1.3 million last year, due to an increase in government grants compared with last year.

FINANCE COSTS

For the Year, the finance costs of the Group were RMB11.7 million, representing a decrease of 39.38% compared with RMB19.3 million last year, mainly due to a decrease in short-term borrowings and interest expenses.

GROSS PROFIT

The gross profit of the Group for the Year was RMB223.6 million, representing an increase of 13.44% compared with RMB197.1 million last year, mainly due to the increase in gross profit from natural gas sales and the rise in the scale of project construction compared with 2019.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the Year, the profit attributable to owners of the parent was RMB92.5 million, representing an increase of 6.44% compared with RMB86.9 million last year, mainly because the Group adopted the strategy of purchase from diversified gas sources, maximized the efficiency of resource utilization, upgraded the construction qualification of its subsidiaries, enhanced its own construction strength and reduced costs.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2020, the current assets of the Group amounted to RMB490.6 million (31 December 2019: RMB167.9 million), of which cash and bank balance were equivalent to RMB344.3 million.

As at 31 December 2020, the current ratio (current assets/current liabilities) of the Group was 1.49 (31 December 2019: 0.38) and the asset-liability ratio (total liabilities/total assets) was 56.01% (31 December 2019: 73.66%). As at 31 December 2020, the utilised bank loans were RMB114.5 million (31 December 2019: RMB193.4 million), all of which were medium-long term borrowings and denominated in RMB, with the annual interest rate of 4.70%-4.99%. As at 31 December 2020, the unutilised bank credit balance was RMB767.6 million.

The gearing ratio of the Group was about 15.18% as at 31 December 2020 (as at 31 December 2019: about 54.20%). The ratio was calculated as total bank borrowings divided by total equity of the Group. As at 31 December 2020, the Group maintained a net cash position.

SIGNIFICANT INVESTMENT

During the Year, the Group did not hold any material investment.

EXCHANGE RATE FLUCTUATION RISK

As the Group operates all its businesses in the PRC, and most of its revenues and expenses are denominated in RMB, The Group's foreign exchange exposure was mainly related to cash and cash equivalents (mainly denominated in Hong Kong dollars), which is the proceeds from the initial public offering of the Group. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate measures when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

CONTINGENT LIABILITIES

As at December 2018, with the guarantee provided by the Group, Hangjiixin, a joint venture company, obtained a bank loan for investment in property, plant and equipment used in operation. The Directors consider that the possibility of the default in payment regarding to the bank loan of Hangjiixin is remote taking the predicted cash inflow of Hangjiixin into consideration and therefore no provision has been made in the current and historical financial information for the contingent liability arising from the guarantee provided by the Group to the bank loan of the joint venture company.

As at 31 December 2020, the Group had no other material contingent liabilities.

FINANCIAL GUARANTEE OBLIGATIONS

As at 31 December 2020, the Group provided a guarantee to the bank for a loan of RMB506.3 million (31 December 2019: RMB306.9 million) granted to the joint venture company Hangjiixin.

MATERIAL ACQUISITION AND DISPOSAL

During the Reporting Period, the Group did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged certain assets to obtain banking facilities granted to the Group. The total carrying amounts of pledged assets of the Group are as follows:

	31 December 2020 (RMB million) (Audited)	31 December 2019 (RMB million) (Audited)
Pledge of assets:		
Investment properties	130.9	194.8
Property, plant and equipment	15.6	4.1
Pledged deposits	2.0	7.1
Prepaid land lease payments	–	2.1

HUMAN RESOURCES AND EMPLOYEE COMPENSATION

As at 31 December 2020, the Group had a total of 362 (31 December 2019: 383) employees in China.

The total employee costs of the Group for the Year were approximately RMB43.1 million. The Group further strengthens the training of employees to enhances their professional level and overall quality, by providing targeted training courses to the management, managers at various positions, professional technicians and customer service employees, and distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provides employees with competitive remuneration packages to encourage them to work hard and exercise their talents in serving customers.

EVENTS AFTER THE REPORTING PERIOD

No significant event occurred after the Reporting Period of the Company and up to the date of this annual report.

PROCEEDS FROM THE GLOBAL OFFERING AND USE OF PROCEEDS

H shares of the Company were officially listed on the Stock Exchange on 16 July 2020. Among the H shares, a total of 37,844,500 shares were issued by the Company by way of a global offering, at an offer price of HK\$10.00 per share, with the net proceeds (after deducting the listing expense) of approximately HK\$334.0 million (equivalent to RMB302.1 million) from its initial public offering. The Group has used the proceeds and will continue to allocate and use the proceeds for the purposes specified in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

As of 31 December 2020, the details of the use of the above net proceeds are as follows:

Designated use of net proceeds	% of net proceeds from the global offering	Allocated amount (RMB'000)	Net proceeds from the global offering and use of proceeds		Expected to be utilised prior to the following date
			Utilised (RMB'000)	Unutilised (RMB'000)	
Funding our payment of the registered capital of Hangjiaxin and providing shareholder's loan to Hangjiaxin by batches	80%	241,697	51,550	190,147	By the end of 2021
Upgrading our pipeline network (including urban pipeline network and end-user pipeline network) and operational facilities of the Group in Jiaying	10%	30,212	8,982	21,230	By the end of 2022
Working capital and general corporate purposes	10%	30,212	9,295	20,917	By the end of 2022
Total	100%	302,121	69,827	232,294	

As at the date of this annual report, the unutilised net proceeds are deposited in the interest-bearing account opened with a licensed bank.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sun Lianqing (“Mr. Sun”), aged 61, is the executive Director, the chairman and the chief executive officer who is responsible for the overall business strategies and operation of the Group. Mr. Sun is also the chairman of Nomination Committee of the Company. Mr. Sun has been the chairman of the Board and chief executive officer of the Company since the establishment of the Company on 15 March 1998 and he was re-designated as an executive Director on 23 September 2019. Mr. Sun is also the vice-chairman of the board, legal representative and general manager of Hangjiixin, a director of Gangqu Gas and a director and general manager of Hangjia Liquefied Gas.

Mr. Sun has extensive experience in business administration and management. From August 1980 to June 1992, Mr. Sun was a teacher in various academic institutions in Jiaxing, Zhejiang Province, the PRC and he was responsible for delivering lectures and providing vocational training to students. From July 1992 to December 1997, Mr. Sun successively served as the office manager of Jiaxing Suburban Urban Construction Bureau* (嘉興市郊區城建局), director of Jiaxing Suburban Municipal Public Utilities Office* (嘉興市郊區市政公用事業處) and manager of Jiaxing Suburban LPG Company* (嘉興市郊區液化氣公司) in the PRC. Since the establishment of the Company on 15 March 1998, he has served as the chairman of the Board and the chief executive officer of the Group.

Mr. Sun graduated from Zhejiang Institute of Education* (浙江教育學院) of the PRC, majoring in mathematics education in July 1990. Mr. Sun graduated from Zhejiang University of the PRC, majoring in economics in July 2002. Mr. Sun is a senior economist in the PRC.

Mr. Xu Songqiang (“Mr. Xu”), aged 53, is the executive Director, standing deputy general manager and chief engineer who is responsible for the strategic planning implementation and internal control supervision of the Group. He was re-designated as an executive Director on 23 September 2019. Mr. Xu is also a supervisor of Gangqu Gas, the chairman of the board of Jiaran Liquefied Gas, a director and a manager of Jiaran New Energy, a director of Hangjiixin and a director of Hangjia Liquefied Gas.

Mr. Xu has extensive experience in engineering project management. From August 1990 to December 1997, Mr. Xu was a staff member of engineering section in Jiaxing Gas Company* (嘉興市煤氣公司), the predecessor of the Company. From January 1998 to March 2000, he was the chief of safety technology section in Jiaxing Gas Company and later the Company, which was established on 15 March 1998. He served as the deputy general manager and was promoted to the current position of standing deputy general manager in November 2009.

Mr. Xu graduated from Zhejiang University in the PRC with a bachelor’s degree in chemical engineering machinery and equipment in June 1990. Mr. Xu is a senior engineer and a senior economist in the PRC.

NON-EXECUTIVE DIRECTORS

Mr. He Yujian (“Mr. He”), aged 50, is the non-executive Director. Mr. He was appointed as a Director on 10 March 2019 and re-designated as a non-executive Director on 23 September 2019. Mr. He is also a member of Remuneration Committee of the Company.

Mr. He has extensive experience in investment project management. He successively served as the deputy office manager from June 2000 to September 2000 and the office manager from September 2002 to January 2006 of Jiaxing Port and Shipping Administration Bureau* (嘉興市港航管理局). He served as an office manager from January 2006 to January 2019 and a deputy general manager from January 2009 to December 2018 of Jiaxing Transportation Investment Group Co., Ltd* (嘉興市交通投資集團有限責任公司), which was principally engaged in transportation investment in Jiaxing, Zhejiang Province, the PRC. From December 2018 to May 2019, he was a member of the party committee and a deputy general manager of City Development and the deputy director of the management committee of scenic areas of Nanhu District of Jiaxing. Since May 2019, he has been a deputy secretary of the party committee of City Development, responsible for assisting the secretary of the party committee and the chairman in managing the business operation of City Development. Since March 2019, he has also served as the chairman of Jiaxing Pipeline Company.

He has been a senior economist in the PRC since December 2005. He graduated from the Zhejiang University in the PRC with an executive master of business administration in June 2009. He graduated from the Zhejiang Provincial Party School of the Chinese Communist Party* (中共浙江省委黨校) in the PRC with a master's degree in economics in July 2016.

Mr. Zheng Huanli (“Mr. Zheng”), aged 52, is the non-executive Director. Mr. Zheng was a Director from August 2018 to March 2019. He was re-appointed as a non-executive Director on 23 September 2019.

Mr. Zheng has extensive experience in financial management. He joined City Development in July 2002 and successively served as an assistant and an assistant manager of the finance department. He is currently the manager of the finance department and the head of the financial management centre of City Development.

Mr. Zheng graduated from Zhejiang Radio and Television University* (浙江廣播電視大學) in the PRC majoring in financial accounting in March 1994. He graduated from Zhejiang University of Finance & Economics in the PRC majoring in accounting in January 2007.

Mr. Fu Songquan (“Mr. Fu”), aged 74, is the non-executive Director. Mr. Fu was appointed as a non-executive Director on 23 September 2019.

Mr. Fu has extensive experience in engineering and management. From February 1996 to January 2010, he was a legal representative and general manager of Fengye, which was known as Zhejiang Fengye Group Co., Ltd.* (浙江楓葉集團有限公司). From December 2009 to September 2011, he was a legal representative of Qianyu. From March 2009 to December 2012, he was a legal representative of Zhejiang Fengye Machinery Co., Ltd* (浙江楓葉機械有限公司), a machinery sales and manufacturing company and a subsidiary of Qianyu. Since January 2013, he has been a director of Qianyu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Linde (“Mr. Xu”), aged 58, is the independent non-executive Director. Mr. Xu was appointed as an independent non-executive Director on 10 January 2017. He is also a member of both Audit Committee and Nomination Committee of the Company.

Mr. Xu has extensive experience in engineering project management. From March 1993 to November 2000, he served as the president of Zhejiang Province Chengjian Gas Thermal Power Design Institute* (浙江城建煤氣熱電設計院), which was principally engaged in designing gas thermal power system. Since November 2000, he has served as the president of Zhejiang Province Chengjian Gas Thermal Power Design Institute Co., Ltd* (浙江城建煤氣熱電設計院有限公司), which was principally engaged in designing gas thermal power system.

Mr. Xu has been a professor-grade senior engineer in the PRC since March 2009 and a utilities (heating and ventilation air-conditioning) engineer in the PRC since October 2011. He graduated from Chongqing Institute of Civil Engineering and Architecture* (重慶建築工程學院) with a bachelor’s degree in heating and ventilation engineering in July 1985.

Mr. Yu Youda (“Mr. Yu”), aged 56, is the independent non-executive Director. Mr. Yu was appointed as an independent non-executive Director on 10 January 2017. Mr. Yu is also the chairman of Remuneration Committee and a member of both Audit Committee and Nomination Committee of the Company.

Mr. Yu has extensive experience in accounting and finance. From June 1994 to November 1999, he was the director of Zhejiang Xinda Certified Public Accountants, responsible for accounting matters. From December 1999 to August 2005, he was the director of Zhejiang Everbright Certified Public Accountants, responsible for accounting matters. Since September 2005, he has been the chairman of Zhejiang Weining Certified Public Accountants, responsible for overseeing accounting matters. From June 2011 to June 2017, he was an independent director of Hangzhou Landscape Architecture Design Institute Co., Ltd* (杭州園林設計院股份有限公司), a Chinese landscape architectural services company listed on the Shenzhen Stock Exchange (stock code: 300649.SZ). Since 2018, Mr. Yu has been appointed as an external supervisor of Bank of Wenzhou. Since July 2019, he has been an independent director of Hengsheng Energy Co., Ltd* (恆盛能源股份有限公司), a Chinese energy company listed on the National Equities Exchange and Quotations (stock code: 872062). Mr. Yu has been appointed as an independent director of Roshow Science and Technology Stock Co., Ltd (an electromechanical products manufacturing company listed on the Shenzhen Stock Exchange, stock code: 002617.SZ) with effect from 25 January 2021.

Mr. Yu has been a senior accountant in the PRC since November 1996. He graduated with a bachelor of economic management from the Correspondence College of the Party School of the Central Committee of the Chinese Communist Party* (中共中央黨校函授學院) in the PRC in June 1992. Mr. Yu graduated with a master in economics from the Zhejiang University in the PRC in July 1997.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

Mr. Cheng Hok Kai Frederick (“Mr. Cheng”), aged 57, is the independent non-executive Director. Mr. Cheng was appointed as an independent non-executive Director on 23 September 2019. Mr. Cheng is also the chairman of Audit Committee and a member of Remuneration Committee of the Company.

Mr. Cheng has extensive experience in business, finance and accounting management. From November 1985 to August 1988, Mr. Cheng worked as an audit assistant and senior accountant of Price Waterhouse (currently known as PricewaterhouseCoopers), an accounting firm in Hong Kong, where he was primarily responsible for audit assignments for various companies. From July 1997 to August 2004, Mr. Cheng was the finance director of Asia Pacific and Japan of LSI Logic Hong Kong Limited, a company principally engaged in designing, developing, and marketing semiconductors and storage systems, focused in the storage, communication, and consumer markets, where he was primarily responsible for finance function for the operation in Asia Pacific and Japan. From August 2004 to April 2006, he was the finance director of Pacific Rim of Mentor Graphics Asia Pte Ltd., a company principally engaged in providing software and hardware design solutions for electronic design automation. From April 2006 to June 2008, he worked as the finance director for Asia Pacific and Japan of the Autodesk Asia Pte Ltd., a company principally engaged in providing 2D and 3D design software for the manufacturing, building and construction, and media and entertainment markets, where he was primarily responsible for finance and accounting function of the operation in Asia Pacific and Japan. From April 2010 to January 2018, Mr. Cheng worked as the company secretary and managing director of corporate finance and investment in PuraPharm Corporation Ltd., a Chinese medicine company listed on the Stock Exchange (stock code: 1498.HK). Mr. Cheng has been an independent non-executive director of Luzhou Xinglu Water (Group) Co., Ltd., a Chinese water supply services company listed on the Stock Exchange (stock code: 2281.HK) since March 2017. From May 2019 to October 2019, Mr. Cheng worked as an executive director of Sanai Health Industry Group Company Limited, a pharmaceutical company listed on the Stock Exchange (stock code: 1889.HK). He has been an independent non-executive director of CIMC Vehicles (Group) Co., Ltd, a Chinese company mainly engaged in the design, manufacture and sales of semi-trailers and truck bodies listed on the Stock Exchange (stock code: 1839.HK) since June 2019. Mr. Cheng has also been an independent non-executive director and the chairman of audit committee of China Shun Ke Long Holdings Limited, a company listed on the Stock Exchange (stock code: 974.HK) since July 2020. On 1 January 2021, Mr. Cheng was appointed as the chief financial officer of Advanced Assembly Materials International Limited, a non-listed company registered in Hong Kong, with subsidiaries in mainland China, Malaysia, Singapore, Thailand, and the Philippines and a semiconductors packaging materials supplier.

Mr. Cheng graduated with a bachelor’s degree in finance and accounting from the University of Salford in the United Kingdom in July 1985, and a master’s degree in accounting from the University of New South Wales in Australia in May 1992. Mr. Cheng was admitted as an associate member of CPA Australia (formerly known as the Australian Society of Certified Practising Accountants) and an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in February 1992 and April 1992, respectively. Mr. Cheng became fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia in March 2003 and January 2004, respectively. Mr. Cheng was admitted as an associate member of the Institute of Chartered Secretaries and Administrators of the United Kingdom in April 1995 and a member of the Governance Institute of Australia (formerly known as Chartered Secretaries Australia) in December 1996. Mr. Cheng became a fellow member of both the Institute of Chartered Secretaries and Administrators of the United Kingdom and the Governance Institute of Australia in June 2012 and November 2013, respectively.

SUPERVISORS

Ms. Liu Wen (“Ms. Liu”), aged 40, is the Supervisor and chairman of the board of Supervisors who is responsible for supervision of the Board and senior management.

Ms. Liu has extensive experience in accounting and finance. From August 2001 to December 2002, she was an accountant of Jiaxing Nanhu Mingsheng Development Co., Ltd.* (嘉興市南湖名勝發展有限公司), which was principally engaged in investment, development and operation management of scenic areas of Nanhu District, Jiaxing, and was responsible for accounting matters. From December 2002 to July 2006, she successively served as an accounting and financial manager of Jiaxing Nanhu Real Estate Co., Ltd.* (嘉興市南湖房地產有限公司), Jiaxing Jiacheng Construction Development Co., Ltd.* (嘉興市嘉城建設發展有限公司), formerly known as Jiaxing Investment Construction Engineering Management Co., Ltd.* (嘉興市城投建設工程代建管理有限公司), and Jiaxing Urban Construction Real Estate Development Co., Ltd.* (嘉興市城建房地產開發有限公司), which were principally engaged in property development in Jiaxing, Zhejiang Province, the PRC, and was responsible for accounting and finance matters. From August 2006 to May 2016, she worked in City Development, a state-owned enterprise that is principally engaged in investment projects in Jiaxing, Zhejiang Province, the PRC and a Substantial Shareholder of the Company, successively as chief of accounting section, deputy manager of the finance department and deputy director and director of the financial management department, responsible for accounting and finance matters. From June 2016 to January 2020, she has successively been a deputy manager and manager of the investment development department of City Development. Since February 2020, Ms. Liu has been general manager of Jiaxing City Capital Management Co., Ltd.* (嘉興市城市資產經營有限公司), formerly known as Jiaxing Tourism Development Co., Ltd.* (嘉興旅遊發展有限公司), a state-owned enterprise that is principally engaged in operation and management of tourism resources and capital. Since August 2018, she has been the chairman of the board of Supervisors.

She has been a senior accountant in Zhejiang Province, PRC since July 2011, a certified public accountant in the PRC since December 2015 and an asset appraiser in the PRC since September 2018. She graduated from the Zhejiang University in the PRC majoring in economics in December 2002.

Mr. Wang Dongzhi (“Mr. Wang”), aged 52, is the Supervisor, who is responsible for supervision of the Board and senior management.

Mr. Wang has extensive experience in accounting and finance. In August 2000, he joined ENN Energy Holdings Limited (stock code: 2688.HK), an energy company listed on the Stock Exchange, formerly known as Xin’ao Gas Holdings Co., Ltd.* (新奧燃氣控股有限公司). He successively served as the manager of the finance department, the chief accountant, the deputy general manager and the chief financial officer, and was appointed as an executive director in March 2011. He joined the Group in April 2011 as a Supervisor of the Company. Since July 2018, he has also been an independent director of Abterra Ltd., a supply chain management company listed on the Singapore Stock Exchange (stock code: ABTR.SI).

Mr. Wang has been a certified public accountant in the PRC since December 2007. Mr. Wang graduated with a master’s degree in business administration from Tianjin University in the PRC in September 2002 and an executive master’s degree in business administration from China Europe International Business School in the PRC in August 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

Ms. Xu Shuping (“Ms. Xu”), aged 33, is an employee representative Supervisor who is responsible for training and development of human resources of the Group and supervision of the Board and senior management.

Ms. Xu has extensive experience in human resources management. From July 2013 to November 2013, she was a human resources specialist in the Shanghai branch of Zhejiang Wolwo Bio-Pharmaceutical Co., Ltd (stock code: 300357.SZ), a Chinese biotechnology and pharmaceutical company listed on the Shenzhen Stock Exchange. Ms. Xu joined the Company in December 2013 as a human resources officer and was promoted to her current position of human resources manager in January 2018. She is responsible for overall day-to-day management of human resources matters in the Company. Since July 2019, she has served as the employee representative Supervisor of the Group.

Ms. Xu has been a level two enterprise human resources manager in the PRC since November 2016. Ms. Xu graduated with a bachelor’s degree in History from Wuhan University in the PRC in June 2011 and a master’s degree in Chinese history from Wuhan University in the PRC in June 2013.

SENIOR MANAGEMENT

Mr. Gu Bin (“Mr. Gu”), aged 48, is a deputy general manager of the Company who is responsible for the overall day-to-day management of the production and business development. He is also the chairman of the board of Jiaran Construction, the chairman of the board and general manager of Jie’an.

Mr. Gu has extensive experience in engineering project management. From January 1998 to August 2002, Mr. Gu served in Jiaying Petroleum Machinery Factory* (嘉興石油機械廠), a company engaged in the manufacturing of petroleum machinery. Mr. Gu joined the Company in December 2002. He served successively as an assistant chief of the technical section, an assistant to chief executive officer and a manager of the pipeline management department and was promoted to the current position of a deputy general manager in January 2014.

Mr. Gu graduated with a junior college diploma in public administration from the Correspondence College of the Zhejiang Provincial Party* (中共浙江省委黨校函授學院) in the PRC in June 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

Ms. Xu Hua, aged 54, is a deputy general manager of the Company who is responsible for overall day-to-day client management. She is also a supervisor of Hangjiaxin, the chairman of the board of Gangqu Gas and a supervisor of Hangjia Liquefied Gas.

Ms. Xu Hua has extensive experience in statistics. From December 1989 to April 2000, Ms. Xu Hua served in Jiaxipera Compressor Co., Ltd.* (加西貝拉壓縮機有限公司), a company engaged in the manufacturing of refrigerator compressors. She joined the Company in May 2001. She served successively as an office manager, an assistant to chief executive officer and a manager of the customer services department and was promoted to the current position of a deputy general manager in January 2017 and a deputy secretary of the party branch of the Company in November 2009.

Ms. Xu Hua has been a senior economist in the PRC since February 2012. She graduated from Zhejiang Metallurgy and Economics College* (浙江冶金經濟專科學校) in the PRC in July 1989. She graduated with a bachelor's degree in economic management from the Correspondence College of the Party School of the Central Committee of the Chinese Communist Party* (中共中央黨校函授學院) in the PRC in December 2000.

Ms. Xu Hua is one of the promoters and a member of the Concert Parties. As at the date of this annual report, the Concert Parties held in aggregate approximately 23.01% equity interest in the Company.

Ms. Zhou Caihong (“Ms. Zhou”), aged 35, is the secretary of the Board who is responsible for overall day-to-day office administration matters. She is also a director of Hangjiaxin, a director of Jia'an and a supervisor of Gangqu Gas.

Ms. Zhou has extensive experience in business administration. Ms. Zhou joined the Company in July 2009 after graduation from university. She served successively as a clerk, assistant office manager, deputy office manager and was promoted to the position of office manager in January 2013. She was appointed as the secretary to the Board in January 2017.

Ms. Zhou graduated from Zhejiang University in the PRC with a bachelor's degree in administration in June 2009.

Ms. Liu Meng (“Ms. Liu”), aged 42, is the chief safety officer, a manager of safety and quality inspection department of the Company who is responsible for overall day-to-day management of production safety and quality assurance matters. She is also a supervisor of Jie'an.

Ms. Liu has extensive experience in safety management. Ms. Liu joined the Company in July 2001 after graduation from university. She served successively as the chief of the production safety section, a deputy manager and a manager of the production safety and quality assurance department and was promoted to the current position of assistant to chief executive officer and chief engineer in November 2009.

Ms. Liu has obtained the qualification of senior engineer in the PRC since November 2006. Ms. Liu graduated from Shenyang Aerospace University, formerly known as Shenyang Institute of Aeronautical Engineering, with a bachelor's degree in safety engineering in July 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

Mr. Zhang Chenghong (“Mr. Zhang”), aged 40, is an assistant to chief executive officer of the Company, director and general manager of Jiaran Construction, who is responsible for overall day-to-day management of the construction projects of the Group and the overall day-to-day management of the business operation of Jiaran Construction.

Mr. Zhang has extensive experience in engineering project management. Mr. Zhang joined the Company in August 2001 after graduation from university. He served successively as a project management officer and a manager of the technical department and was promoted to the current position of assistant to chief executive officer in July 2015.

Mr. Zhang has obtained the qualification of senior engineer in the PRC since November 2006. Mr. Zhang has been a senior engineer in the PRC since 20 December 2020. Mr. Zhang graduated from East China University of Science and Technology in the PRC with a bachelor’s degree in urban gas engineering in July 2001.

JOINT COMPANY SECRETARIES

Ms. Zhou Caihong (“Ms. Zhou”), is the joint company secretary of the Company. Ms. Zhou is one of the senior management. Please refer to the paragraph headed “Senior Management” above for her biography.

Ms. Lo Ka Man (“Ms. Lo”), is the joint company secretary of the Company. Ms. Lo is a manager of corporate services of Tricor Services Limited and has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lo possesses over 10 years of experience in the company secretarial field.

Ms. Lo is currently the company secretary of China Greenland Broad Greenstate Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 01253.HK). Ms. Lo is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the sales of PNG (under the Concessions), LNG and LPG in Jiaxing, provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers and provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

GLOBAL OFFERING

The Company was incorporated in the PRC on 15 March 1998. The Company's H Shares were listed on the Main Board of the Stock Exchange on 16 July 2020.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2020 and the material factors underlying its results and financial position as required by schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are included in the section of "Management Discussion and Analysis" of this annual report. The future development of the Group's business is discussed in the section of the "Management Discussion and Analysis" of this annual report. The section of the "Management Discussion and Analysis" forms part of this report.

RESULTS

The Group's profits for the year ended 31 December 2020 and the Group's financial position as at 31 December 2020 are set out in the consolidated financial statements on pages 58 to 151 of this annual report.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 4 June 2021. Shareholders may refer to the notice convening the AGM despatched by the Company for details regarding the AGM.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.25 (tax inclusive) per share for the Year (the "**2020 Final Dividend**") with an aggregate amount of RMB34,461,000 (tax inclusive) to shareholders (whether holders of H Shares or domestic Shares) of the Company whose names appear on the Company's register of members as on Thursday, 17 June 2021, subject to the approval by the shareholders of the Company at the AGM. Subject to the passing of the relevant resolution at the AGM, the 2020 Final Dividend is expected to be paid around Wednesday, 30 June 2021.

Dividends will be paid in Renminbi for holders of domestic shares of the Company, and dividends for H share shareholders of the Company will be paid in Hong Kong dollars. The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of approval of declaration of dividends by the AGM.

REPORT OF THE DIRECTORS (continued)

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax 《中華人民共和國企業所得稅法》, the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax 《中華人民共和國企業所得稅法實施條例》 implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the proposed final dividend for 2020 to its H share shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other institutional nominees and trustees, or other organizations or groups) listed on the H share register of members on 17 June 2021.

According to the requirement under Guo Shui Han [2011] No. 348 issued by the State Administration of Taxation (國家稅務總局國稅函[2011]348號規定) and the relevant laws and regulations, for individual H share shareholders who are Hong Kong or Macau residents and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold the individual income tax at the rate of 10%. For individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax at a tax rate of 10% of dividend. For individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the effective tax rate under the relevant tax treaty. For individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H share shareholders.

The Company will determine the country of domicile of the individual H share shareholders based on the registered address as recorded in the H share register of members of the Company on 17 June 2021. If the country of domicile of an individual H share shareholder is not the same as the registered address or if the individual H share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share shareholder shall notify and provide relevant supporting documents to the Company on or before 9 June 2021. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H share shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the H share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H share shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

REPORT OF THE DIRECTORS (continued)

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights of H shareholders to attend and vote at the AGM and their entitlements to the 2020 Final Dividend, the register of H shareholders of the Company will be closed, the details of which are set out below:

- (1) For determining the rights of H shareholders to attend and vote at the AGM
- | | |
|--|--|
| Latest time to lodge transfer documents for registration | 4:30 p.m. on Friday, 28 May 2021 |
| Closure of register of members (both days inclusive) | Monday, 31 May 2021 to Friday, 4 June 2021 |
| Record date | Friday, 4 June 2021 |
- (2) For determining the entitlements of H shareholders to the 2020 Final Dividend
- | | |
|--|--|
| Latest time to lodge transfer documents for registration | 4:30 p.m. on Wednesday, 9 June 2021 |
| Closure of register of members (both days inclusive) | Thursday, 10 June 2021 to Thursday, 17 June 2021 |
| Record date | Thursday, 17 June 2021 |

During the above closure periods, no transfer of H shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the 2020 Final Dividend, all transfer documents, accompanied by the relevant certificates, must be lodged with the Company's H share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration, by no later than the aforementioned latest times.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 152 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

As of 31 December 2020, the total share capital of the Company was RMB137,844,500.00, divided into 137,844,500 Shares (including 100,000,000 Domestic Shares and 37,844,500 H Shares) of nominal value of RMB1.00 each. Details of movements of the Company's share capital during the year ended 31 December 2020 are set out in note 31 to the consolidated financial statements of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2020 are set out in note 14 to the consolidated financial statements of this annual report.

REPORT OF THE DIRECTORS (continued)

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2020 are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report.

BANK BORROWINGS AND OTHER BORROWINGS

Details of the bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2020 are set out in note 30 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to issue new issues to its existing Shareholders in proportion to their shareholdings.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing by the Group, some of which are beyond its control. Some of the major risks we face include:

1. Our Concessions for the operation of our PNG business will expire or may be terminated before expiration and we may not be able to renew our existing Concessions or secure new concessions.
2. We are affected by risks arising from the PRC government's price control regime for PNG. For example, given that there is generally a time gap between the increase in our purchase price and the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period.
3. We are affected by proposed or recently issued PRC government's policies over our business operation. There is no assurance that we will be able to adapt to these government policies in a timely manner or at all.
4. We require various licences and permits to commence, operate and expand our business operation. Any failure to obtain or renew any or all of these licences and permits or any enforcement action taken against us for non-compliance incident may materially and adversely affect our business and expansion plans.
5. The PRC government may impose fines or other fees on us if we fail to comply with the terms of the land grant contract, and we could have financial loss or lose our previous investments in the land and the opportunity to develop the land, which may adversely affect our business, results of operations and financial conditions.
6. The outbreak of any severe communicable disease, such as COVID-19, could adversely affect our results of operations.
7. We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject.
8. We require substantial funding for our current and future projects. In addition, the capital expenditures required could be higher than expected due to various reasons which are beyond our control. Any failure to obtain adequate funding or refinance our existing debt at reasonable rates, or at all, could adversely affect our financial condition and results of operations and could prevent us from fulfilling our financial obligations and business objectives.

REPORT OF THE DIRECTORS (continued)

However, the above is not an exhaustive list. For further details, please refer the section headed “Risk Factors” in the Prospectus. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors:

Mr. Sun Lianqing (*Chairman and Chief Executive Officer*)

Mr. Xu Songqiang

Non-executive Directors:

Mr. He Yujian

Mr. Zheng Huanli

Mr. Fu Songquan

Independent Non-executive Directors:

Mr. Xu Linde

Mr. Yu Youda

Mr. Cheng Hok Kai Frederick

No Director will be proposed for re-election at the forthcoming annual general meeting.

SUPERVISORS

The Supervisors during the year ended 31 December 2020 and up to the date of this report were:

Ms. Liu Wen (*Chairman*)

Ms. Xu Shuping

Mr. Wang Dongzhi

The board of Supervisors held two meetings during 2020. Details of the events conducted by the board of Supervisors during 2020 are set out in the section headed “Report of the Board of Supervisors” of this annual report.

Details of biography of Directors and Supervisors are set out in the section headed “Biographical Details of Directors, Supervisors and Senior Management” of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors has entered into a service contract/letter of appointment with the Company for a term of three years with effect from 10 January 2020, being the commencement date of the second session of the Board, until the expiration of the term of office of the second session of the Board. The appointments are subject to the relevant provisions of the Company's articles of association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Each of the Supervisors has entered into a service contract with the Company for a term of three years commencing from 10 January 2020. The appointments are subject to the provisions of the Company's articles of association with regard to vacation of office of Supervisors, removal and retirement by rotation of Supervisors.

None of the Directors has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee of the Company to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. Details of the remuneration of the Directors and the five highest paid individuals are set out in note 9 and note 10 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transaction" below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2020.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, Directors and Supervisors and their associates did not have any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or existed during the year ended 31 December 2020.

REPORT OF THE DIRECTORS (continued)

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, so far as known to the Directors of the Company, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including those they are taken or deemed to have under such provisions of the SFO) are as follows:

Long Positions in the Domestic Shares of the Company:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Sun Lianqing (Note 4)	Interest in a controlled corporation	31,720,806 (L)	31.72%	23.01%
Xu Songqiang (Note 4)	Beneficial owner Deemed interest pursuant to Section 317 of the SFO	3,069,891 (L) 28,650,915 (L)	31.72%	23.01%

(1) The letter "L" denotes the long position in the Shares and underlying shares of the Company.

(2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue.

(3) The calculation is based on the total number of 137,844,500 Shares in issue.

(4) Taiding, Xu Songqiang, Liu Zhenxiong, Xu Yanrui and Xu Hua are parties acting in concert pursuant to acting in concert agreements dated 23 March 2016, 16 March 2017, 3 January 2018, 18 July 2019 and 31 December 2020. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties. Mr. Sun Lianqing is interested in 65% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors, Supervisors or chief executives of the Company had an interest and short position in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, so far as is known to the Directors, the interests or short positions of the persons (other than the Directors, Supervisors or chief executives of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in Shares of the Company:

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (Note 3)
City Development (Note 4)	Domestic Shares	Beneficial owner	32,757,502 (L)	32.76%	23.76%
Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) (Note 4)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Jiaxing State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) (Note 4)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Taiding (Note 5)	Domestic Shares	Beneficial owner	26,424,222 (L)	31.72%	23.01%
		Deemed interest pursuant to Section 317 of the SFO	5,296,584 (L)		
Xu Lili (徐麗麗) (Note 6)	Domestic Shares	Interest in a controlled corporation	31,720,806 (L)	31.72%	23.01%
Chen Ying (陳瑛) (Note 7)	Domestic Shares	Interest of spouse	31,720,806 (L)	31.72%	23.01%
Liu Zhenxiong (劉振雄) (Note 5)	Domestic Shares	Beneficial owner	1,654,195 (L)	31.72%	23.01%
		Deemed interest pursuant to Section 317 of the SFO	30,066,611 (L)		
Xu Yanrui (許延瑞) (Note 5)	Domestic Shares	Beneficial owner	386,299 (L)	31.72%	23.01%
		Deemed interest pursuant to Section 317 of the SFO	31,334,507 (L)		
Luo Yining (羅漣寧) (Note 8)	Domestic Shares	Interest of spouse	31,720,806 (L)	31.72%	23.01%
Xu Hua (徐華) (Note 5)	Domestic Shares	Beneficial owner	186,199 (L)	31.72%	23.01%
		Deemed interest pursuant to Section 317 of the SFO	31,534,607 (L)		
Zhuji Yujia (Note 9)	Domestic Shares	Beneficial owner	11,894,374 (L)	11.89%	8.63%
Qianyu (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.63%
Tang Shiyao (湯仕堯) (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.63%
Fu Fangying (傅芳英) (Note 10)	Domestic Shares	Interest of spouse	11,894,374 (L)	11.89%	8.63%

REPORT OF THE DIRECTORS (continued)

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of our Company (Note 3)
Xin'ao Gas Development Company Limited* (新奧燃氣發展有限公司) (Note 11)	Domestic Shares	Beneficial owner	7,155,049 (L)	7.16%	5.19%
Xin'ao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司) (Note 11)	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
ENN Energy Holdings Limited (新奧能源控股有限公司) (Note 11)	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
Fengye (Note 12)	Domestic Shares	Beneficial owner	5,364,791 (L)	5.36%	3.89%
Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司) (Note 12)	Domestic Shares	Interest in a controlled corporation	5,364,791 (L)	5.36%	3.89%
Fu Shengying (傅生英) (Note 12)	Domestic Shares	Interest in a controlled corporation	5,364,791 (L)	5.36%	3.89%
Fu Zhiquan (傅志權) (Note 12)	Domestic Shares	Interest in a controlled corporation	5,364,791 (L)	5.36%	3.89%
Flat Glass Group Co., Ltd. (福萊特(香港)有限公司) (Note 13)	H Shares	Beneficial owner	6,250,000 (L)	16.51%	4.53%
Flat (Hong Kong) Co., Limited (福萊特玻璃集團股份有限公司) (Note 13)	H Shares	Interest in a controlled corporation	6,250,000 (L)	16.51%	4.53%
Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) (Note 14)	H Shares	Beneficial owner	5,301,000 (L)	14.01%	3.85%
嘉興金源投資有限公司 (Jiaxing Jinyuan Investment Co., Ltd.)* (Note 14)	H Shares	Interest in a controlled corporation	5,301,000 (L)	14.01%	3.85%
Shen Xiaohong (沈小紅) (Note 14)	H Shares	Interest in a controlled corporation	5,301,000 (L)	14.01%	3.85%
Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) (Note 15)	H Shares	Beneficial owner	1,900,000 (L)	5.02%	1.38%
Liu Zhenjiang (劉振江) (Note 15)	H Shares	Interest in a controlled corporation	1,900,000 (L)	5.02%	1.38%
Dan Hongying (但紅英) (Note 16)	H Shares	Interest of spouse	1,900,000 (L)	5.02%	1.38%
Mingyuan Group Investment Limited (Note 17)	H Shares	Beneficial owner	5,300,000 (L)	14.00%	3.84%
Shum Tin Ching (沈天晴) (Note 17)	H Shares	Interest in a controlled corporation	5,300,000 (L)	14.00%	3.84%
Wang Xinmei (Note 18)	H Shares	Interest of spouse	5,300,000 (L)	14.00%	3.84%

REPORT OF THE DIRECTORS (continued)

Notes:

- (1) The letter “L” denotes the shareholder’s long position in the Shares and underlying shares of the Company.
- (2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue or 37,844,500 H Shares in issue.
- (3) The calculation is based on the total number of 137,844,500 Shares in issue.
- (4) City Development was wholly-owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司), which was wholly-owned by Jiaxing State-owned Assets Supervision and Administration Commission (嘉興市國有資產監督管理委員會). Under the SFO, Zhejiang Jiaxing State-owned Capital Investment Management Company Limited and Jiaxing State-owned Assets Supervision and Administration Commission are deemed to be interested in the same number of Shares in which City Development is interested.
- (5) Taiding, Xu Songqiang, Liu Zhenxiong, Xu Yanrui and Xu Hua are parties acting in concert pursuant to acting in concert agreements dated 23 March 2016, 16 March 2017, 3 January 2018, 18 July 2019 and 31 December 2020. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties.
- (6) Ms. Xu Lili is interested in 35% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.
- (7) Ms. Chen Ying is the spouse of Mr. Xu Songqiang. Under the SFO, Ms. Chen Ying is deemed to be interested in the same number of Shares in which Mr. Xu Songqiang is interested.
- (8) Mr. Luo Yining is the spouse of Ms. Xu Yanrui. Under the SFO, Mr. Luo Yining is deemed to be interested in the same number of Shares in which Ms. Xu Yanrui is interested.
- (9) Zhuji Yujia is wholly-owned by Qianyu, which is 40%-owned by Mr. Tang Shiyao (湯仕堯). Under the SFO, each of Mr. Tang Shiyao and Qianyu is deemed to be interested in the same number of Shares in which Zhuji Yujia is interested.
- (10) Ms. Fu Fangying (傅芳英) is the spouse of Mr. Tang Shiyao (湯仕堯) and is therefore deemed to be interested in the same number of Shares in which Mr. Tang Shiyao is interested under the SFO.
- (11) Xin’ao Gas Development Company Limited* (新奧燃氣發展有限公司) was a wholly-owned subsidiary of Xin’ao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司), which was in turn a wholly-owned subsidiary of ENN Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688). Under the SFO, ENN Energy Holdings Limited and Xin’ao (China) Gas Investment Company Limited* are deemed to be interested in the same number of Shares in which Xin’ao Gas Development Company Limited is interested.

REPORT OF THE DIRECTORS (continued)

- (12) Fengye was wholly-owned by Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司), which was owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權). Under the SFO, each of Zhejiang Fengye Environmental Technology Limited*, Ms. Fu Shengying and Mr. Fu Zhiquan is deemed to be interested in the same number of Shares in which Fengye is interested.
- (13) Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) was a wholly-owned subsidiary of Flat Glass Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6865) and the Shanghai Stock Exchange (stock code: 601865). Under the SFO, Flat Glass Group Co., Ltd. is deemed to be interested in the same number of Shares in which Flat (Hong Kong) Co., Limited is interested.
- (14) Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) was a wholly-owned subsidiary of 嘉興金源投資有限公司 (Jiaying Jinyuan Investment Co., Ltd.), which was in turn owned as to 75% by Mr. Shen Xiaohong (沈小紅). Under the SFO, Mr. Shen Xiaohong is deemed to be interested in the same number of Shares in which Hong Sung Timber Trading Co., Limited is interested.
- (15) Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) was wholly-owned by Mr. Liu Zhenjiang (劉振江). Under the SFO, Mr. Liu Zhenjiang is deemed to be interested in the same number of Shares in which Fashion Home International Trading Co., Limited is interested.
- (16) Ms. Dan Hongying (但紅英) is the spouse of Mr. Liu Zhenjiang (劉振江). Under the SFO, Ms. Dan Hongying is deemed to be interested in the same number of Shares in which Mr. Liu Zhenjiang is interested.
- (17) Mingyuan Group Investment Limited was wholly-owned by Mr. Shum Tin Ching (沈天晴). Under the SFO, Mr. Shum Tin Ching is deemed to be interested in the same number of Shares in which Mingyuan Group Investment Limited is interested.
- (18) Ms. Wang Xinmei (王新妹) is the spouse of Mr. Shum Tin Ching (沈天晴). Under the SFO, Ms. Wang Xinmei is deemed to be interested in the same number of Shares in which Mr. Shum Tin Ching is interested.

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any other person (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fail to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONNECTED TRANSACTION

During the year ended 31 December 2020, the Group has conducted the following connected transaction:

PIPELINE NETWORK LEASE AGREEMENT

On 30 December 2020, the Company entered into a pipeline network lease agreement (“**Pipeline Network Lease Agreement**”) with Jiaxing Natural Gas Pipeline Network Management Co., Ltd.* (嘉興市天然氣管網經營有限公司) (“**Jiaxing Pipeline Company**”). Pursuant to the Pipeline Network Lease Agreement, Jiaxing Pipeline Company, as lessor, agreed to lease to the Company certain pipeline network in Jiaxing Urban Area for a period from 1 January 2020 to 31 December 2032, subject to and in accordance with the terms and conditions of the Pipeline Network Lease Agreement. The annual rental fee for the first year shall be RMB802,574.10 payable by the Company in cash on or before 31 December 2020 and, thereafter, shall be RMB1,039,948.25 per year payable by the Company in cash on or before 30 September of each year.

As at the date of the transaction, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, a substantial shareholder of the Company. As such, Jiaxing Pipeline Company was regarded as an associate of City Development, and hence a connected person of the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules.

Please refer to the announcement of the Company dated 30 December 2020 for details.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group has conducted the following continuing connected transactions:

LEASE OF PROPERTY TO QINGYUAN HOTEL BY THE GROUP

On 1 July 2016, the Company entered into a tenancy agreement (the “**Hotel Property Tenancy Agreement**”) with Jiaxing Qingyuan Hotel Management Company Limited* (嘉興市清園酒店管理有限公司) (“**Qingyuan Hotel**”), pursuant to which the Company, as lessor, leased to Qingyuan Hotel, as lessee, the commercial property to operate as a hotel. The lease term is for a period from 1 July 2016 to 31 December 2030. The rental rate under the Hotel Property Tenancy Agreement is about RMB18 per square metre per month with 5% increment for every three years which was determined after arm’s length negotiation and with reference to the prevailing market rent in the proximity.

Throughout the year ended 31 December 2020, each of (i) Jiaxing Qingyang Trading Company Limited* (嘉興市清陽貿易有限公司), a company owned as to 74% by Mr. Sun, the executive Director; and (ii) Taiding, the Substantial Shareholder, owned more than 30% equity interest in Zhejiang Qingyuan Tourism Development Group Company Limited* (浙江清園旅遊發展集團有限公司) (“**Qingyuan Tourism**”). Qingyuan Hotel was a direct wholly-owned subsidiary of Qingyuan Tourism. As such, Qingyuan Hotel is regarded as an associate of Mr. Sun and Taiding, and hence a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules.

During the year ended 31 December 2020, the total rent paid by Qingyuan Hotel in relation to the commercial property was approximately RMB5.1 million.

Please refer to the paragraph headed “Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement – Lease of property to Qingyuan Hotel by our Group” in the Prospectus for details.

LEASE OF LNG STATION AND EQUIPMENT BY JIAXING PIPELINE COMPANY TO THE GROUP

On 1 January 2012, the Company entered into a LNG station tenancy agreement (the “**LNG Station Tenancy Agreement**”) with Jiaxing Pipeline Company, pursuant to which Jiaxing Pipeline Company, as lessor, agreed to lease to the Group the LNG station and equipment in Nanhu. The lease term is for a period of 17 years from 1 January 2012 to 31 December 2028. The annual rent under the LNG Station Tenancy Agreement is variable and will be determined with reference to the maintenance fee for the relevant equipment and facilities, depreciation of the relevant equipment and facilities, finance expenses and actual profit generated from the LNG station.

Throughout the year ended 31 December 2020, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, the substantial shareholder of the Company. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules.

During the year ended 31 December 2020, the total rent was approximately RMB2.9 million.

Please refer to the paragraph headed “Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement – Lease of LNG station and equipment by Jiaxing Pipeline Company to our Group” in the Prospectus for details.

SUPPLY OF CONSTRUCTION MATERIALS TO THE GROUP

On 1 January 2019, 29 February 2020 and 9 March 2020, the Company entered into construction materials supply agreements (the “**Construction Materials Supply Agreements**”) with Zhuji Jinfeng Pipeline Company Limited* (諸暨錦楓管業有限公司) (“**Zhuji Jinfeng**”), pursuant to which Zhuji Jinfeng, as supplier, agreed to supply construction materials to the Group. The term of the Construction Materials Supply Agreements are for a period from 1 January 2019 to 29 February 2020, from 1 March 2020 to 31 December 2021 and from 1 January 2022 to 31 December 2022, respectively.

Throughout the year ended 31 December 2020, Zhuji Jinfeng was owned as to 70.47% by Zhuji Jinhua Pipeline Company Limited* (諸暨錦樺管業有限公司) and 29.53% by Zhejiang Jinyu Fengye Pipeline Company Limited (浙江錦宇楓葉管業有限公司). Ms. Fu Qiufeng (傅秋鳳), the spouse of Mr. Fu Songquan (傅松權), the non-executive Director, owned 50% equity interest in Zhuji Jinhua Pipeline Company Limited. As such, Zhuji Jinfeng is an associate of Mr. Fu Songquan and hence a connected person of the Company pursuant to Rule 14A.12(1) of the Listing Rules.

During the year ended 31 December 2020, the annual purchase price paid by the Group under the Construction Materials Supply Agreements was approximately RMB5.6 million.

Please refer to the paragraph headed “Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement – Supply of construction materials to our Group” in the Prospectus for details.

REPORT OF THE DIRECTORS (continued)

SUPPLY OF PNG BY JIAXING PIPELINE COMPANY TO THE GROUP

On 16 June 2016, the Company entered into two master supply agreements (the “**Master Supply Agreements**”) with Jiaxing Pipeline Company, pursuant to which the Company shall purchase from Jiaxing Pipeline Company, and Jiaxing Pipeline Company shall sell to us, PNG in Jiaxing. The term of the Master Supply Agreements is up to 31 December 2025. Pursuant to the Master Supply Agreements, the purchase price is determined in accordance with the price set by the Jiaxing Municipal People’s Government.

Throughout the year ended 31 December 2020, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, the Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules.

During the year ended 31 December 2020, the total PNG charges under the Master Supply Agreements was approximately RMB583.8 million.

Please refer to the paragraph headed “Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement – Supply of PNG by Jiaxing Pipeline Company to our Group” in the Prospectus for details.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors had reviewed the above-mentioned continuing connected transactions and confirmed the transactions were conducted:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; if the comparable transactions could not be relied on to judge whether the terms of the transactions were normal commercial terms, as far as the Group is concerned, on terms no less favourable than the terms accepted or provided by independent third parties; and
- (3) in accordance with the agreed terms of agreement related to the transactions, which were fair and reasonable and in the interests of Shareholders as a whole.

CONFIRMATION BY AUDITOR

The external auditor of the Company was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and submitted a copy of the auditor’s letter to the Stock Exchange.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the year ended 31 December 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to 31 December 2020.

REPORT OF THE DIRECTORS (continued)

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the total revenue attributable to the Group's five largest customers was approximately 20.81%, and the revenue attributable to the Group's largest customer from the sales was approximately 7.36%.

During the year ended 31 December 2020, the total purchases attributable to the Group's five largest suppliers was approximately 68.79% and the purchase attributable to the Group's largest supplier was approximately 53.31%.

At all times during the year ended 31 December 2020, none of the Directors, their close associates or any Shareholder who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any direct interest in any of the Group's five largest customers and suppliers.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its stakeholders and considers it a key element to its sustainable business growth.

EMPLOYEES

The Group has always been people-oriented and has attached great importance to its human resources management. The Group attracts talents through a fair recruitment policy and provides employees with training opportunities, good career development prospects and growth opportunities. In addition, the Group offers attractive remuneration packages to its employees. The Group also values its employees' physical and mental developments.

CUSTOMERS AND SUPPLIERS

The Group strives to build and maintain long term and strong relationships with customers. The Company's business department has from time to time conducted a customer satisfaction survey with a view to understand and fulfill customers' demands and enhance their satisfaction. In terms of suppliers, the Group's objective is to keep mutually beneficial and win-win partnerships with all suppliers. At the same time, the Group regularly evaluates the performance of its suppliers.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date up to 31 December 2020.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist during the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

The Company has purchased appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance.

REPORT OF THE DIRECTORS (continued)

COMPLIANCE WITH CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. For the period from the Listing Date up to 31 December 2020, the Company has complied with all applicable code provisions as set out in the CG Code, save as code provision A.2.1. For more details, please see the section headed “Corporate Governance Report” of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group’s existing business activities on the environment. To the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection for the year ended 31 December 2020. The Company will publish the Environmental, Social and Governance Report for the year ended 31 December 2020 in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

Since the Company is established and conducts its operations mainly in the PRC, and its H Shares are listed on the Stock Exchange, its establishment and operations have to comply with the relevant laws and regulations in both the PRC and Hong Kong. During the year ended 31 December 2020, the Company had complied with the relevant laws and regulations in the PRC and Hong Kong.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules at all times during the period from the Listing Date up to the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed together with the management and the external auditors of the Company the accounting principles and policies adopted by the Group and the audited annual results for the year ended 31 December 2020.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Sun Lianqing

Chairman

Jiaxing, Zhejiang, the PRC
29 March 2021

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period of 2020, based on the principle of being responsible to the Company and its shareholders, the board of Supervisors has conscientiously and comprehensively performed its supervisory duties, including supervising and inspecting the lawful operation and financial situation of the Company, and supervising the members of the Board of Directors and the management of the Company, in strict accordance with the Company Law, the Company's articles of association, the Rules of Procedure of the board of Supervisors and other relevant laws and regulations.

Methods for the board of Supervisors to perform its supervisory duties mainly include: convening regular meetings; being present at and attending as non-voting participants the general meetings of shareholders and relevant meetings of the Board of Directors; through the above work, the board of Supervisors comprehensively supervises the Company's operations, risk management, internal control, and duty performance of directors and senior management, and puts forward constructive and targeted operation and management suggestions and supervision opinions.

LAWFUL OPERATION OF THE COMPANY

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There was substantial development and improvement in the depth and breadth of its internal control management, and the Company's operational decision-making processes were legitimate. The Directors and other senior management were honest, diligent and conscientious in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Company's articles of association or harmed the interests of the Shareholders.

FINANCIAL POSITION OF THE GROUP

The board of Supervisors has carefully reviewed the audited financial statements of the Company during the Reporting Period, and believes that these financial statements are objective, practical and reasonable, conform to relevant provisions of the laws, regulations and the Company's articles of association, and completely and objectively reflect the situation of the Company, without any false records, misleading statements or major omissions.

The board of Supervisors believes that the preparation of the Annual Report complies with relevant provisions of the laws, regulations and the Company's articles of association, and the information disclosed therein completely and truly reflects the operation, management and financial status of the Company during the Reporting Period.

USE OF PROCEEDS FROM IPO

During the Reporting Period, the use of the proceeds from IPO strictly observed relevant provisions and the use disclosed, and no illegal use of the proceeds was found.

CONNECTED-PARTY TRANSACTIONS

The connected-party transactions (including continuing connected-party transactions) entered into by the Group during the Reporting Period were found in compliance with relevant laws and regulations, and in conformity to the provisions of relevant agreements on connected-party transactions. They were fair and reasonable to the Group and its shareholders, and did not harm the interests of the Company and its shareholders.

2021 OUTLOOK

In 2021, the board of Supervisors will continue to abide by the principle of being responsible to all the Shareholders, and perform its supervisory duties in strict accordance with relevant laws and regulations and the requirements of the Company's articles of association, so as to safeguard the legitimate rights and interests of the Group and its shareholders, and play a positive role in achieving the standardized operation and development of the Group.

By order of the board of Supervisors
Liu Wen
Chairman of the board of Supervisors

29 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of its shareholders and to enhance corporate value, accountability and transparency of the Company.

Since the Listing Date, the Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices and the CG Code has been applicable to the Company with effect from the Listing Date. Throughout the period from the Listing Date up to 31 December 2020, the Company has been in compliance with all the applicable code provisions of the CG Code with the exception of code provision A.2.1. Details of the deviation are explained in the subsection headed "Chairman and Chief Executive Officer" in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted its own code of conduct regarding Directors' and Supervisors' dealings in the Company's securities on terms no less exacting than the Model Code ("**Code of Conduct**").

Specific enquiry has been made of all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they have complied with the Code of Conduct throughout the period from the Listing Date up to 31 December 2020.

The Code of Conduct also applies to employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code of Conduct by the employees was noted by the Company throughout the period from the Listing Date up to 31 December 2020.

BOARD OF DIRECTORS

COMPOSITION

The Board currently comprises eight Directors, two executive Directors, three non-executive Directors and three independent non-executive Directors.

The composition of the Board is set out below:

Executive Directors

Mr. Sun Lianqing (*Chairman and Chief Executive Officer*)

Mr. Xu Songqiang

Non-executive Directors

Mr. He Yujian

Mr. Zheng Huanli

Mr. Fu Songquan

Independent Non-executive Directors

Mr. Xu Linde

Mr. Yu Youda

Mr. Cheng Hok Kai Frederick

CORPORATE GOVERNANCE REPORT (continued)

The biographical information of the Directors is contained in the section headed “Biographical Details of Directors, Supervisors and Senior Management” of this annual report.

None of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1. of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. However, the role of the chairman and the chief executive officer of the Company is not separated and are performed by the same individual, Mr. Sun Lianqing.

Mr. Sun Lianqing, who has been responsible for overall strategic planning and management of the Group since 1998. The Board meet regularly to consider major matters affecting the operations of the Group, as such, the Board consider that this structure will not impair the balance of power and authority between the Board and the management of the Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date up to 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Directors shall be elected at the shareholders' general meeting with a term of office of three (3) years, however, pursuant to the Company's articles of association, an independent non-executive Director shall serve no more than nine years (if more than nine years, such independent non-executive Director's re-election shall be approved by the Shareholders by means of separate resolution). Upon expiry of the term, a Director shall be eligible to offer himself for re-election and re-appointment. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be eligible for re-election and re-appointment.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them and the Board has regularly reviewed the contribution required from each Director to perform his responsibility to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and senior managements' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

CORPORATE GOVERNANCE REPORT (continued)

In preparation for the Company's listing on the Stock Exchange, all the Directors have been provided with the relevant training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates conducted by the Hong Kong legal advisor to ensure that they are fully aware of their responsibilities and obligations as a director of a listed company as well as compliance practice under the Listing Rules. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2020 are summarized as follows:

Directors	Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops	Reading relevant news alerts, newspapers, journals, magazines and relevant publications
Executive Directors		
Sun Lianqing	✓	✓
Xu Songqiang	✓	✓
Non-executive Directors		
He Yujian	✓	✓
Zheng Huanli	✓	✓
Fu Songquan	✓	✓
Independent Non-executive Directors		
Xu Linde	✓	✓
Yu Youda	✓	✓
Cheng Hok Kai Frederick	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference for the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Each Board committee has also been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent profession advice in appropriate circumstances at the Group's expense.

CORPORATE GOVERNANCE REPORT (continued)

The Audit Committee consists of three independent non-executive Directors, namely Mr. Xu Linde, Mr. Yu Youda and Mr. Cheng Hok Kai Frederick. Mr. Cheng Hok Kai Frederick is the chairman of the Audit Committee.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the period from the Listing Date to 31 December 2020, the Audit Committee held one meeting to review the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors once without the presence of the executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee consists of one non-executive Director, namely Mr. He Yujian, and two independent non-executive Directors, namely Mr. Yu Youda and Mr. Cheng Hok Kai Frederick. Majority of them are independent non-executive Directors. Mr. Yu Youda is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the period from the Listing Date to 31 December 2020, the Remuneration Committee held two meetings to review and make recommendations to the Board on the remuneration policy and structure of the Company, remuneration packages of the executive Directors and senior management

Details of the remuneration payable to each Director for the year ended 31 December 2020 are set out in note 9 to the consolidated financial statements.

The remuneration of the members of senior management (excluding Directors and Supervisors) by band for the year ended 31 December 2020 is set out below:

Remuneration bands (RMB)	Number of persons
0-300,000	2
300,001-600,000	4

NOMINATION COMMITTEE

The Nomination Committee consists of one executive Director, namely Mr. Sun Lianqing, and two independent non-executive Directors, namely Mr. Xu Linde and Mr. Yu Youda. Majority of them are independent non-executive Directors. Mr. Sun Lianqing is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, the chairman and the chief executive officer, and assessing the independence of independent non-executive Directors.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the board diversity policy (the "**Board Diversity Policy**") and the director nomination policy (the "**Director Nomination Policy**") adopted by the Board on 16 June 2020, summaries of which are detailed in the subsections headed "Board Diversity Policy" and "Directors Nomination Policy" in this report, that are necessary to complement the corporate strategy, where appropriate, before making recommendation to the Board. The Nomination Committee would discuss and agree annually on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the period from Listing Date to 31 December 2020, the Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of non-executive and independent non-executive Directors at the forthcoming general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy on 16 June 2020 which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board.

The Board Diversity Policy provides that the Company should endeavour to ensure that the Board members have the appropriate skills, expertise and diversity of perspectives that are required to support the execution of business strategy. Pursuant to the Board Diversity Policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision of appointment will be based on merit and contribution that the selected candidates will bring to the Board and the business needs of the Company from time to time. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward.

The Nomination Committee considers that the Board has a balanced mix of experiences, including management and strategic development, finance and accounting experiences in addition to the PNG business. Furthermore, the Board has a good mix of new and experienced Directors, who have valuable knowledge and insights of the Group's business over the years, while the new Directors are expected to bring in fresh ideas and new perspective to the Group.

In order to achieve an appropriate balance of gender diversity in the Board, it is targeted that at least one female director will be nominated and added at the re-election of the Board in January 2023, subject to the review and recommendation by the Nomination Committee with reference to the Board Diversity Policy.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and recommendation on the appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to the nomination and appointment of Directors. The Director Nomination Policy aims to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company as well as Board continuity and appropriate leadership at Board level.

The Director Nomination Policy sets out the criteria to be taken into account when considering the suitability of a candidate, including but not limited to the following:

- Educational background, qualification, skills and experience with reference to the Company's business and specific needs
- Character and reputation for integrity
- Ability to devote sufficient time and attention to the affairs of the Company
- Contribution to the diversity of the Board as well as the effective carrying by the Board of the responsibilities, including but not limited to devoting sufficient time to the Board and/or any committee(s) on which he or she serves so as to allow them to benefit from his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules

The Director Nomination Policy also sets out the process for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this corporate governance report.

BOARD MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors and Supervisors 14 days prior to the meeting. While at least 7 days' notice shall be given to all members of Audit Committee, Nomination Committee and Remuneration Committee prior to the meetings, but such notice period can be waived by unanimous consent of all committee members. For extraordinary Board or committee meetings, notice shall be served to all Directors and Supervisors 5 days prior to the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Where necessary, senior management would attend regular Board meetings and other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

All the Directors have access to advice and services of the Company's joint company secretaries, who are responsible for ensuring that Board procedures and applicable regulations under the Company's articles of association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

All minutes are kept by the Company and are open for inspection by any Director during normal office hours with reasonable advance notice. Matters considered and decisions reached at the Board and Committee meetings are recorded with sufficient detail in the minutes. Draft and final versions of minutes of Board meetings will be sent to all Directors for their comments and recorded within a reasonable time after the relevant meeting is held.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings, Board Committee meetings and the general meetings of the Company held during the period from the Listing Date to 31 December 2020 is set out in the table below:

Name of Director	Attendance/Number of Meetings				Extraordinary General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee	
Sun Lianqing	3/3	2/2	–	–	1/1
Xu Songqiang	3/3	–	–	–	1/1
He Yujian	3/3	–	2/2	–	1/1
Zheng Huanli	3/3	–	–	–	1/1
Fu Songquan	3/3	–	–	–	1/1
Xu Linde	3/3	2/2	–	1/1	1/1
Yu Youda	3/3	2/2	2/2	1/1	1/1
Cheng Hok Kai Frederick	3/3	–	2/2	1/1	1/1

Apart from Board meetings, the Chairman also met once with independent non-executive Directors without the presence of executive Directors during the period from Listing Date to 31 December 2020.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the formulation of, and overseeing the implementation of, the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The Group has established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for our needs.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Group has adopted the following policies and procedures for internal control and risk management:

- (1) the executive Director and standing deputy general manager, Mr. Xu Songqiang has acted as the principal channel of communication between members of the Group in relation to legal, regulatory and financial reporting compliance matters of the Group as well as the chief coordinators to oversee the internal control procedures in general; upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, Mr. Xu will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of the Group and/or our Board;
- (2) BOCOM International (Asia) Limited has been appointed as the Company's compliance adviser upon the Listing to advise the Group on compliance matters in accordance with the Listing Rules;

CORPORATE GOVERNANCE REPORT (continued)

- (3) a qualified PRC law firm has been appointed as an external PRC legal adviser which assists the Company in performing the requisite legal due diligence and complying with the relevant laws and regulations in respect of our business operations;
- (4) the Directors, senior management and employees of the Group will be provided with training and/or updates regarding the legal and regulatory requirements applicable to the business operations of the Group from time to time;
- (5) we will from time to time remind our employees of their obligations to contribute to their part of the social insurance and housing provident funds in order to comply with the applicable PRC laws and regulations, and advise them on the procedures for making such contributions; and
- (6) an external Hong Kong legal adviser has been appointed to advise the Company on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

In order to ensure that the internal control procedures are sufficient for management of external and internal risks, the Group has engaged an internal control consultant (the “**Internal Control Consultant**”) to conduct a review of the Group’s internal control systems during the year ended 31 December 2020. The Board will consider the recommendations as suggested by the Internal Control Consultant to improve the internal control system.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors’ Report on pages 53 to 57 of this annual report.

AUDITORS’ REMUNERATION

The remuneration paid/payable to the Company’s external auditor in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

	Fees Paid/Payable RMB’000
audit services	1,493
non-audit services (Note)	880
Total	2,373

Note: The non-audit services mainly consisted of reviewing the Group’s interim financial results for the six months ended 30 June 2020.

JOINT COMPANY SECRETARIES

For the period from Listing Date to 31 December 2020, the Company has appointed Ms. Sun Ah Tsang (“**Ms. Sun**”) of Tricor Services Limited (“**Tricor**”), an external service provider, and Ms. Zhou Caihong, as the joint company secretaries of the Company. Ms. Sun’s primary contact person of the Company is Ms. Zhou. Both Ms. Zhou and Ms. Sun have confirmed that each of them has taken no less than 15 hours of relevant professional trainings during the year ended 31 December 2020. All Directors have access to the joint company secretaries’ advices and services.

On 26 February 2021, Ms. Sun resigned as the joint company secretary of the Company and the Company appointed Ms. Lo Ka Man of Tricor, as its joint company secretary.

SHAREHOLDERS’ RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING

The following procedures for Shareholders to convene an extraordinary general meeting (“**EGM**”) of the Company are prepared in accordance the Company’s articles of association:

- (1) Two or more Shareholders (“**Requisitionist(s)**”) holding, at the date of deposit of the requisition, 10% or more of the shares of the Company, separately or jointly, carrying the right of voting at general meetings shall have the right, by one or several written requests of the same format and content, to require an EGM or class meeting to be called by the Board of for the transaction or any business specified in such requisition. The Board shall convene an EGM or class meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares shall be calculated in accordance with the shares held on the day on which the written request is made by the Requisitionist(s).
- (2) If the Board fails to issue a notice to convene a meeting within 30 days after receiving the aforesaid written request, the Requisitionist(s) making the request may request the board of Supervisors to convene an EGM or a class meeting.
- (3) If the board of Supervisors fails to issue a notice to convene the meeting within 30 days after receiving the aforesaid written request, the Shareholders holding 10% or more of the voting shares of the proposed meeting, individually or in aggregate, for 90 consecutive days may convene the meeting by themselves within four months after the receipt of the request by the Board of Directors, provided that the procedure for convening a EGM shall be the same as that used by the Board when possible. If the Shareholders convene and hold a meeting on their own due to the failure of the Board or board of Supervisors to hold the meeting as aforesaid, the Company shall bear the reasonable expenses incurred thereby and deduct the amount owed by the Company to the delinquent Directors.

PUTTING FORWARD PROPOSALS AT ANNUAL GENERAL MEETINGS

Shareholder(s) who hold(s) 3% or more of the voting shares of the Company, individually or in aggregate, shall have the right to submit provisional proposals (“**Proposal**”) in writing to the Company and submit them to the Board 10 days before the general meeting. The Board shall, within 2 days of receiving the proposal, send a supplementary notice to the general meeting and submit the provisional proposal to the general meeting for consideration. The contents of the Proposal shall fall within the scope of the responsibilities of the general meeting and shall have clear topics and specific resolutions.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Registered Office and Headquarters
5th Floor, Building 3, Hualong Plaza
Economic and Technological Development Zone
Jiaxing, Zhejiang Province
The People’s Republic of China

Principal Place of Business in Hong Kong
Level 54, Hopewell Centre
183 Queen’s Road East, Hong Kong

Email: jxgas@jxrqgs.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses indicating “To the Board or Company Secretary” and provide their full name, contact details and identification in order to give effect thereto. Shareholders’ information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group’s business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Separate resolutions are proposed at Shareholders’ meetings on each substantial issue, including the election of individual Directors.

CORPORATE GOVERNANCE REPORT (continued)

The Company has established a Shareholders' Communication Policy in order to ensure the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), to exercise their rights in an informed manner and to allow Shareholders and the investment community to engage actively with the Company. The Shareholders' Communication Policy is regularly reviewed to ensure its effectiveness.

DIVIDEND POLICY

The Company has not adopted a formal dividend policy and there is no assurance that dividends of any amount will be declared or be distributed in any year.

CONSTITUTIONAL DOCUMENTS

During the period from the Listing Date to 31 December 2020, the Company has amended its articles of association. Details of the amendments are set out in the circular dated 28 October 2020 and announcement dated 20 October 2020. An updated version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of JiaXing Gas Group Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of JiaXing Gas Group Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 151, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional 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.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>During the year, the Group recognized revenue of RMB1,273,713,000, of which, revenue from sales of piped natural gas (“PNG”) and provision of construction services amounted to RMB877,238,000 and RMB108,909,000, respectively.</p> <p>Revenue from sales of PNG was significant to our audit because the revenue was highly dispersed and derived from a large number of residential customers, commercial customers and industrial customers. Volume of gas consumed by customers was determined by gas-meter installed, the readings were examined cyclically and the reading date not fully exactly on month or year end. Therefore, revenue from the last gas-meter reading date to the year-end date involved estimation of the management.</p>	<p>Our procedures in relation to the recognition of revenue derived from sales of PNG included:</p> <ul style="list-style-type: none"> • Tested the design and operating effectiveness of key controls related with the sales of gas. • Discussed with the management about the recognition basis and assessed the revenue recognition policy applied by the Group to ensure its compliance with IFRSs. • Performed detail analytical review procedures on the revenue from sales of PNG. • Performed test of details, on sampling basis, by checking contracts, gas-meter reading records, invoice, bank receipts, etc. • Assessed the calculation algorithms and data used in developing the estimation of revenues from the last gas-meter reading date to the year-end date. • Assessed the adequacy of the disclosure included in the notes to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition (continued)</p> <p>Revenue recognition for provision of construction services was significant to our audit because the revenue from construction services had significant impact on the consolidated financial statements and it involved significant judgement and estimation of management, which included the output method to measure the progress towards complete satisfaction of the performance obligation based on the construction completion report agreed between the Group, the construction companies and supervision companies.</p> <p>The disclosures about revenue recognition are included in note 2.4 <i>Summary of Significant Accounting Policies</i>, note 3 <i>Significant Accounting Judgements and Estimations</i> and note 5 <i>Revenue</i>.</p>	<p>Our procedures in relation to the recognition of revenue derived from provision of construction services included:</p> <ul style="list-style-type: none">• Tested the design and operating effectiveness of key controls related to the provision of construction services.• Discussed with the management about the recognition basis and assessed the revenue recognition policy applied by the Group to ensure its compliance with IFRS.• Performed detail analytical review procedures on the revenue from provision of construction services.• Performed test of details, on sampling basis, by checking contracts, construction completion report, invoice, etc.• Examined the construction progress reports prepared by the Group, the construction companies and supervision companies to collaborate of the progress towards complete satisfaction of that performance obligation, obtained confirmation from the supervision companies, and recalculated revenue based on the construction progress.• Assessed adequacy of the disclosure included in the notes to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are 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 directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' 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 consolidated 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young

Certified Public Accountants

Hong Kong

29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	1,273,713	1,330,332
Cost of sales		(1,050,141)	(1,133,267)
Gross profit		223,572	197,065
Other income and gains	6	4,682	1,298
Selling and distribution costs		(22,269)	(21,878)
Administrative expenses		(47,010)	(43,097)
Impairment losses on financial and contract assets, net		(239)	60
Other expenses		(24,944)	(3,898)
Finance costs	8	(11,713)	(19,261)
Share of profits and loss of:			
Joint Ventures		(5,228)	(3,110)
Associates		8,611	10,163
PROFIT BEFORE TAX	7	125,462	117,342
Income tax expense	11	(29,980)	(27,976)
PROFIT FOR THE YEAR		95,482	89,366
Attributable to:			
Owners of the parent		92,520	86,898
Non-controlling interests		2,962	2,468
		95,482	89,366
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		95,482	89,366
Attributable to:			
Owners of the parent		92,520	86,898
Non-controlling interests		2,962	2,468
		95,482	89,366
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	13	0.79	0.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	470,953	482,910
Investment properties	15	217,819	218,061
Right-of-use assets	16	130,655	130,434
Other intangible assets	17	4,309	2,415
Investments in joint ventures	18	210,251	161,929
Investments in associates	19	21,255	11,175
Financial assets at fair value through profit or loss	20	12,230	14,763
Deferred tax assets	21	148,373	150,710
Other non-current assets	25	8,581	14,450
Total non-current assets		1,224,426	1,186,847
CURRENT ASSETS			
Inventories	22	8,176	8,314
Trade and bills receivables	23	89,585	49,125
Contract assets	24	15,928	1,224
Prepayments, other receivables and other assets	25	21,828	36,545
Financial assets at fair value through profit or loss	20	10,728	2,476
Pledged deposits	26	2,031	7,092
Cash and cash equivalents	26	342,317	63,146
Total current assets		490,593	167,922
CURRENT LIABILITIES			
Trade and bills payables	27	137,594	100,385
Other payables and accruals	28	61,158	64,154
Contract liabilities	29	110,570	85,347
Interest-bearing bank borrowings	30	–	173,400
Tax payable		8,967	10,558
Lease liabilities	16	11,008	9,831
Total current liabilities		329,297	443,675
NET CURRENT ASSETS/(LIABILITIES)		161,296	(275,753)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,385,722	911,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	29	364,229	379,984
Interest-bearing bank borrowings	30	114,500	20,000
Lease liabilities	16	152,560	154,281
Total non-current liabilities		631,289	554,265
Net assets		754,433	356,829
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	137,845	100,000
Reserves	32	597,815	241,018
		735,660	341,018
Non-controlling interests		18,773	15,811
TOTAL EQUITY		754,433	356,829

Sun Lianqing

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Special reserve – safety fund	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 1 January 2019	100,000	6,949	45,715	8,402	163,054	324,120	13,902	338,022	
Total comprehensive income for the year	-	-	-	-	86,898	86,898	2,468	89,366	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(559)	(559)	
Special reserve – safety fund	-	-	-	2,523	(2,523)	-	-	-	
Final 2018 dividend declared (note 12)	-	-	-	-	(70,000)	(70,000)	-	(70,000)	
Transfer from retained profits	-	-	8,036	-	(8,036)	-	-	-	
At 31 December 2019	100,000	6,949	53,751	10,925	169,393	341,018	15,811	356,829	

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Special reserve – safety fund	Retained profits	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 1 January 2020	100,000	6,949	53,751	10,925	169,393	341,018	15,811	356,829	
Total comprehensive income for the year	-	-	-	-	92,520	92,520	2,962	95,482	
Issue of shares (note 31)	37,845	303,284	-	-	-	341,129	-	341,129	
Share issue expenses (note 31)	-	(39,007)	-	-	-	(39,007)	-	(39,007)	
Special reserve – safety fund	-	-	-	2,326	(2,326)	-	-	-	
Transfer from retained profits	-	-	6,247	-	(6,247)	-	-	-	
At 31 December 2020	137,845	271,226*	59,998*	13,251*	253,340*	735,660	18,773	754,433	

* These reserve accounts comprise the consolidated reserves of RMB597,815,000 (2019: RMB241,018,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		125,462	117,342
Adjustments for:			
Share of profits of associates		(8,611)	(10,163)
Share of losses of joint ventures		5,228	3,110
Finance costs	8	11,713	19,261
Depreciation of property, plant and equipment	14	43,603	43,015
Depreciation of investment properties	15	7,061	6,870
Depreciation of right-of-use assets	16	9,427	8,454
Amortisation of other intangible assets	17	1,221	925
Impairment of financial and contract assets, net	7	239	(60)
Fair value loss from financial assets through profit or loss	7	2,667	2,611
Loss on disposal of items of property, plant and equipment	7	117	1,663
Interest income	6	(1,193)	(840)
Dividends received from financial assets at fair value through profit or loss	6	(62)	(113)
		196,872	192,075
Increase in trade and bills receivables		(40,645)	(9,492)
Increase in contract assets		(14,704)	(843)
Decrease/(increase) in prepayments, other receivables and other assets		14,539	(16,097)
Decrease/(increase) in inventories		138	(574)
Decrease in pledged time deposits		5,061	–
Increase/(decrease) in trade and bills payables		37,209	(13,813)
Decrease in other payables and accruals		(7,909)	(983)
Increase/(decrease) in contract liabilities		9,468	(2,777)
Cash generated from operations		200,029	147,496
Interest received		1,193	620
Tax paid		(23,241)	(23,105)
NET CASH FLOWS FROM OPERATING ACTIVITIES		177,981	125,011

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		–	220
Increase in pledged time deposits		–	(1,835)
Purchases of items of property, plant and equipment		(27,595)	(34,919)
Additions to other intangible assets		(3,115)	(1,644)
Investment in a joint venture	18	(53,550)	(400)
Investment in an associate	19	(11,700)	–
Dividends received from a joint venture	18	–	2,500
Dividends received from associates	19	10,231	19,284
Purchase of financial assets at fair value through profit or loss		(8,386)	(14,252)
Proceeds from disposal of financial assets at fair value through profit or loss		–	14,054
Dividends received from financial assets at fair value through profit or loss		62	113
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(94,053)	(16,879)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31	341,129	–
Share issue expenses	31	(39,007)	–
Dividends paid		–	(70,000)
Dividends paid to non-controlling shareholders		–	(559)
Interest paid		(8,447)	(10,147)
New interest-bearing bank and other borrowings		248,300	278,400
Repayment of interest-bearing bank borrowings		(327,200)	(298,000)
Payment of lease liabilities	33(b)	(19,532)	(30,922)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		195,243	(131,228)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		279,171	(23,096)
Cash and cash equivalents at beginning of year		63,146	86,242
CASH AND CASH EQUIVALENTS AT END OF YEAR		342,317	63,146
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	306,474	70,238
Time deposits	26	37,874	–
Pledged deposits	26	(2,031)	(7,092)
Cash and cash equivalents as stated in the statement of cash flows		342,317	63,146

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

JiaXing Gas Group Co., Ltd. (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (“PRC”). The registered office of the Company is located at Building 3, Hualong Plaza, 32 Qinyi Road, Jiaxing, China.

The principal business activities of the Group during the year included (i) the sale of gas, mainly piped natural gas (“PNG”) (under the concessions), liquefied natural gas (“LNG”) and liquefied petroleum gas (“LPG”) in Jiaxing; (ii) the provision of construction and installation services; and (iii) others, including the provision of natural gas transportation services, the sale of vapour and construction materials, and the leasing of properties in Mainland China.

On 18 July 2019, the concert parties, namely Zhejiang Taiding Investment Company Limited (“Taiding”), Mr. Xu Songqiang (徐松強), Mr. Liu Zhenxiong (劉振雄), Ms. Xu Yanrui (許延瑞) and Ms. Xu Hua (徐華) entered into concert party agreements with respect to their interests in the Company. Pursuant to the concert party agreements, Mr. Xu Songqiang, Mr. Liu Zhenxiong, Ms. Xu Yanrui and Ms. Xu Hua agreed to delegate their voting rights at general meetings of the Company to Taiding for each of the years of 2019 and 2020, respectively. As at the date of this report, the concert parties, as the single largest group of shareholders, held an approximately 23.01% equity interest of the Company, while Jiaxing City Investment & Development Group Co., Ltd. held an approximately 23.76% equity interest of the Company. Accordingly, there were no controlling shareholders for the Company.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 July 2020.

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiaxing Gangqu Natural Gas Co., Ltd. (“Gangqu Gas”) 嘉興市港區天然氣有限公司*	PRC/ Mainland China	RMB16,000,000	65	–	Distribution and sales of natural gas, and the provision of construction and installation services of gas pipelines network
Jiaxing Jia’an Gas Technology Service Co., Ltd. (“Jia’an”) 嘉興市佳安燃氣技術服務有限公司*	PRC/ Mainland China	RMB10,000,000	100	–	Distribution and sales of gas pipes and equipment and provision of gas technology consulting service
Jiaxing Jie’an Transportation Co., Ltd. (“Jie’an”) 嘉興市捷安運輸有限公司*	PRC/ Mainland China	RMB5,000,000	80	20	Transportation of LNG and compressed natural gas

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiaxing Jia'ran Liquefied Gas Co., Ltd. ("Jia'ran Liquefied Gas") 嘉興市嘉燃液化气有限公司*	PRC/ Mainland China	RMB5,000,000	100	-	Distribution and sales of LPG
Jiaxing Jia'ran New Energy Co., Ltd. ("Jia'ran New Energy") 嘉興市嘉燃新能源有限公司*	PRC/ Mainland China	RMB20,000,000	100	-	Construction and operation of new energy facilities

* The English names of these subsidiaries represent the best efforts made by the management of the Company to translate their Chinese names as they do not have official English names registered in PRC. All the PRC subsidiaries are registered as domestic enterprises with limited liability.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for equity investments and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below: (continued)

- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts^{3, 5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

FAIR VALUE MEASUREMENT

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, contract assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

RELATED PARTIES

A party is considered to be related to the Group if:

- (a) the party is a person or close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	15-50 years
Gas pipelines	20 years
Plant and machinery	3-15 years
Motor vehicles	4-10 years
Furniture and office equipment	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas station structures, machinery, gas pipelines and other property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating rights

Operating rights for construction are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated useful lives of two years.

Software

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three to five years.

LEASES

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid leasehold land	50 years
Buildings	2-8 years
Plant and gas pipelines	13-27 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of building (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due for sales of gas and 180 days past due for construction services, installation and management services past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loan and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities, interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

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

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

SPECIAL RESERVE – SAFETY FUND

Provisions for the Group's obligations for safety operation are based on the Group's revenue arose from sales of natural gas per year in accordance with related PRC rules and regulations. The Group records a corresponding cost when such expenditure for safety operation incurs. The remaining provisions for the Group's obligations for safety operation would be recorded as special reserve – safety fund. The remaining provisions would not be recorded in the consolidated statements of profit or loss while the Group decreases its retained profits when it recognises the special reserve – safety fund.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income to match the grant on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred revenue account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the above goods.

(b) Provision of installation and management services of gas pipelines

Revenue from the provision of installation and management services of gas pipelines is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Provision of construction services

Revenue from the provision of construction services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining goods or services promised under the contract.

(d) Provision of natural gas transportation services

The Group's provision of natural gas transportation services generally includes a series of distinct services that are substantially the same and that have the same pattern of transfer to the customers. Revenue from the transmission of natural gas is recognised at the point in time when the Group provides the promised service to the customer.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

CONTRACT COSTS

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

OTHER EMPLOYEE BENEFITS

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

FOREIGN CURRENCIES

These financial statements are presented in Renminbi ("RMB"), which is the Group's and the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

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

Determining the timing of satisfaction of construction services

The Group concluded that revenue for construction services is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The fact that another entity would not need to re-perform the construction that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the output method is the best method in measuring the progress of the construction services because the output selected would faithfully depict the entity's performance towards complete satisfaction of the performance obligation. The Group recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED) ESTIMATION UNCERTAINTY

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns according to sales type, and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the energy industry sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 23 and note 24 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Estimation of the amortisation period of installation and management services recorded as contract liabilities

The Group receives fees from customers in advance in exchange for the installation and management of gas pipelines to the urban natural gas pipeline network. These fees are received in advance and gradually amortised. The Group determines the estimated amortisation period of fifteen years for its revenue recognition. This estimate is based on the Group’s historical experience of the actual service period and the strength of the Group’s business relationship with each individual customer. It could differ significantly based on the customer’s profile, expected term of the relationship and the strength of the customer’s business relationship established with the Group. Generally, amortisation is calculated on the straight-line basis for fifteen years. The carrying amounts of installation and management services in the consolidated statements of financial position as at 31 December 2020 was RMB414,204,000 (31 December 2019: RMB426,700,000), details of which are set out in note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (continued)

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 and 2020. There were no unrecognised tax losses at 31 December 2019 and 2020. Further details are contained in note 21 to the financial statements.

Volume of gas consumed by customers

The revenue from sales of gas was highly dispersed and derived from a large number of residential customers, commercial customers and industrial customers. The Group developed a statistical model for estimating the volume of gas consumed by customers between the last gas-meter reading date and the end of the reporting period. The model used the historical gas-meter readings, the average daily volume of gas consumed by customers and the gas-meter reading date of each customer to come up with the estimated volume of gas consumed by customers between the last gas-meter reading date and the end of the reporting period.

4. SEGMENT INFORMATION

The Group has only one reportable operating segment which engages in (i) sales of gas, mainly PNG (under the concessions), LNG and LPG in Jiaxing; (ii) provision of construction installation services; and (iii) others, including provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties in the year. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

GEOGRAPHICAL INFORMATION

Geographical information is not presented since all of the Group's revenue from external customers is generated in Mainland China and all of the non-current assets of the Group are located in Mainland China.

INFORMATION ABOUT MAJOR CUSTOMERS

No information about major customers is presented as no revenue from a single customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2020 (2019: nil).

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

5. REVENUE

An analysis of the Group's revenue is as follows:

	2020 RMB'000	2019 RMB'000
<i>Revenue from contracts with customers</i>		
Sales of goods	1,103,787	1,200,639
Provision of construction services	108,909	63,215
Provision of installation and management services	49,045	52,931
Provision of transportation services	3,966	5,907
Others	1,071	113
	1,266,778	1,322,805
<i>Revenue from other sources</i>		
Gross rental income	13,349	12,959
	1,280,127	1,335,764
Less: Government surcharges	(6,414)	(5,432)
	1,273,713	1,330,332

REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregated revenue information

Sales of PNG	877,238	1,081,889
Sales of LNG	133,719	11,862
Sales of LPG	54,267	75,554
Sales of vapour	22,197	21,054
Sales of electricity	1,103	–
Sales of construction materials	15,263	10,280
Provision of construction services	108,909	63,215
Provision of installation and management services	49,045	52,931
Provision of gas transportation services	3,966	5,907
Others	1,071	113
	1,266,778	1,322,805
Timing of revenue recognition		
Goods or services transferred at a point in time	1,108,824	1,206,659
Services transferred over time	157,954	116,146
Total revenue from contracts with customers	1,266,778	1,322,805

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

5. REVENUE (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 RMB'000	2019 RMB'000
Provision of installation and management services	46,716	47,927
Provision of construction services	20,449	12,041
Sales of goods	18,182	16,672
	85,347	76,640

There was no revenue recognised from performance obligations satisfied in previous years or not previously recognised due to constraints on variable consideration.

(ii) Performance obligations

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

Sales of goods

The performance obligation is satisfied upon delivery of the PNG, LNG, LPG, vapour and construction materials, and payment is generally due within 30 to 180 days from delivery. In addition, the Group received prepayments before delivery from part of its customers.

Provision of construction services and installation and management services of gas pipelines

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before or during the rendering of the services. The remaining percentage of payment generally should be paid before completion of construction and installation and management.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

5. REVENUE (CONTINUED)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) Performance obligations (continued)

Provision of transportation services

The performance obligation is satisfied upon completion of gas transportation and payment is generally due within 30 days from completion.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	110,570	85,347
After one year	364,229	379,984
	474,799	465,331

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to installation and management of gas pipelines, of which the performance obligations are to be satisfied within two to fifteen years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS

	2020 RMB'000	2019 RMB'000
Other income		
Government grants	3,081	69
Interest income	1,193	620
Interest income from related parties	–	90
Interest income from financial assets at fair value through profit or loss	–	130
Dividends received from financial assets at fair value through profit or loss	62	113
Others	346	276
	4,682	1,298

Various government grants have been received for the Company listed on the Stock Exchange or offering stable jobs. The government grants received have been included in other income and gains in the statement of profit or loss and other comprehensive income. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold		966,997	1,071,880
Cost of services provided		83,144	61,387
Depreciation of property, plant and equipment	14	43,603	43,015
Depreciation of investment properties	15	7,061	6,870
Depreciation of right-of-use assets	16(a)	9,427	8,454
Amortisation of intangible assets	17	1,221	925
Lease payments not included in the measurement of lease liabilities	16(c)	378	317
Auditor's remuneration		2,293	139
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		40,616	42,221
Pension scheme contributions		202	4,058
Social security contributions and accommodation benefits		1,257	6,435
Foreign exchange loss		21,690	–
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	23	185	(65)
Impairment of financial assets included in prepayments, other receivables and other assets	25	54	5
Fair value loss of financial assets at fair value through profit or loss		2,667	2,611
Dividend income from financial assets at fair value through profit or loss	6	(62)	(243)
Bank interest income	6	(1,193)	(620)
Loss on disposal of items of property, plant and equipment		117	1,663

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on interest-bearing bank borrowings	8,447	9,924
Interest expense on leases liabilities	9,340	9,850
Total interest expense on financial liabilities not at fair value through profit or loss	17,787	19,774
Less: Interest capitalised	(6,074)	(513)
	11,713	19,261

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	233	120
Other emoluments:		
Salaries, allowances and benefits in kind	498	465
Performance-related bonuses	746	706
Pension scheme contributions	125	175
	1,369	1,346
	1,602	1,466

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

	2020 RMB'000	2019 RMB'000
Mr. Xu Linde	80	60
Mr. Yu Youda	80	60
Mr. Cheng Hok Kai Frederick	73	–
	233	120

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS, THE CHIEF EXECUTIVE AND SUPERVISORS

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2020					
Executive directors:					
– Mr. Sun Lianqing	–	–	–	–	–
– Mr. Xu Songqiang	–	213	239	59	511
Non-executive directors:					
– Mr. Zheng Huanli	–	–	–	–	–
– Mr. He Yujian	–	–	–	–	–
– Mr. Fu Songquan	–	–	–	–	–
Chief executive:					
– Mr. Sun Lianqing	–	234	269	16	519
Supervisors:					
– Ms. Liu Wen	–	–	–	–	–
– Mr. Wang Dongzhi	–	–	–	–	–
– Ms. Xu Shuping	–	51	238	50	339
	–	498	746	125	1,369

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
--	-----------------	--	--	---	------------------

2019

Executive directors:					
– Mr. Sun Lianqing	–	–	–	–	–
– Mr. Xu Songqiang	–	213	295	69	577
Non-executive directors:					
– Mr. Zheng Huanli	–	–	–	–	–
– Mr. He Yujian	–	–	–	–	–
– Mr. Fu Songquan	–	–	–	–	–
Chief executive:					
– Mr. Sun Lianqing	–	234	331	69	634
Supervisors:					
– Ms. Liu Wen	–	–	–	–	–
– Mr. Wang Dongzhi	–	–	–	–	–
– Ms. Xu Shuping	–	18	76	27	121
– Ms. Tang Jin	–	–	4	10	14
	–	465	706	175	1,346

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (including the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	561	602
Performance related bonuses	672	832
Pension scheme contributions	122	165
	1,355	1,599

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

	2020	2019
Nil to RMB500,000	3	–
RMB500,001 to RMB1,000,000	–	3
	3	3

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the “New Corporate Income Tax Law”).

The major components of income tax expense are as follows:

	2020 RMB'000	2019 RMB'000
Current tax:		
Income tax in the PRC for the year	27,643	28,815
Deferred tax (note 21)	2,337	(839)
Total tax charge for the year	29,980	27,976

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

11. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the major operating subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	125,462	117,342
Tax at the statutory tax rate	31,366	29,336
Expenses not deductible for tax	68	431
Income not subject to tax	(608)	–
Profits attributable to joint ventures and associates	(846)	(1,791)
Tax charge at the Group's effective rate	29,980	27,976

12. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Proposed dividends – RMB0.25 (2019: RMB0.70) per ordinary share	34,461	70,000

The proposed final dividend for the year ended 31 December 2020 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 117,147,334 (2019: 100,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

	2020	2019
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	92,520	86,898

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	117,147,334	100,000,000

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Lease holding improvement RMB'000	Total RMB'000
31 December 2020								
At 1 January 2020								
Cost	114,065	510,825	139,206	7,870	20,124	36,101	20,351	848,542
Accumulated depreciation	(23,752)	(219,719)	(84,760)	(6,915)	(14,592)	-	(15,894)	(365,632)
Net carrying amount	90,313	291,106	54,446	955	5,532	36,101	4,457	482,910
At 1 January 2020, net of accumulated depreciation								
Additions	-	41	1,242	519	488	35,313	979	38,582
Depreciation provided during the year	(3,919)	(24,806)	(10,452)	(472)	(1,518)	-	(2,436)	(43,603)
Disposals	-	-	(11)	-	(106)	-	-	(117)
Transferred from construction in progress	387	26,312	14,967	-	-	(41,666)	-	-
Transferred to investment properties	(6,819)	-	-	-	-	-	-	(6,819)
At 31 December 2020, net of accumulated depreciation	79,962	292,653	60,192	1,002	4,396	29,748	3,000	470,953
At 31 December 2020								
Cost	107,003	537,178	155,373	8,389	18,490	29,748	21,330	877,511
Accumulated depreciation	(27,041)	(244,525)	(95,181)	(7,387)	(14,094)	-	(18,330)	(406,558)
Net carrying amount	79,962	292,653	60,192	1,002	4,396	29,748	3,000	470,953

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Lease holding improvement RMB'000	Total RMB'000
31 December 2019								
At 1 January 2019								
Cost	123,689	491,964	134,216	7,760	21,080	30,622	19,241	828,572
Accumulated depreciation	(21,411)	(196,676)	(74,079)	(6,393)	(13,649)	-	(13,450)	(325,658)
Net carrying amount	102,278	295,288	60,137	1,367	7,431	30,622	5,791	502,914
At 1 January 2019, net of								
accumulated depreciation	102,278	295,288	60,137	1,367	7,431	30,622	5,791	502,914
Additions	2,244	-	243	124	428	29,116	1,110	33,265
Depreciation provided during the year	(4,139)	(23,043)	(10,695)	(535)	(2,159)	-	(2,444)	(43,015)
Disposals	(1,479)	-	(15)	(1)	(168)	-	-	(1,663)
Transferred from construction in progress	-	18,861	4,776	-	-	(23,637)	-	-
Transferred to investment properties	(8,591)	-	-	-	-	-	-	(8,591)
At 31 December 2019, net of								
accumulated depreciation	90,313	291,106	54,446	955	5,532	36,101	4,457	482,910
At 31 December 2019								
Cost	114,065	510,825	139,206	7,870	20,124	36,101	20,351	848,542
Accumulated depreciation	(23,752)	(219,719)	(84,760)	(6,915)	(14,592)	-	(15,894)	(365,632)
Net carrying amount	90,313	291,106	54,446	955	5,532	36,101	4,457	482,910

The carrying amount of construction in progress of the Group included capitalized interest of approximately RMB6,074,000 (2019: RMB513,000) charged for the year (note 8).

As at 31 December 2020, the Company's property, plant and equipment with a carrying value of RMB15,635,000 (2019: RMB4,120,000) was pledged to secure interest-bearing bank borrowings (note 30).

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

15. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
Cost:		
At beginning of year	261,352	251,829
Transferred from property, plant and equipment	7,449	9,509
Transferred from right-of-use assets	-	14
At end of year	268,801	261,352
Accumulated depreciation:		
At beginning of year	43,291	35,499
Charge for the year	7,061	6,870
Transferred from property, plant and equipment	630	918
Transferred from right-of-use assets	-	4
At end of year	50,982	43,291
Net carrying amount:		
At end of year	217,819	218,061
At beginning of year	218,061	216,330

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The market values of investment properties are valued based on the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancies. The fair values of the investment properties are disclosed below.

The investment properties are leased to third parties and related parties under operating leases, further summary details of which are included in note 16 to the financial statements.

As at 31 December 2020, the Group's investment properties with a carrying value of RMB130,932,000 (2019: RMB194,781,000) was pledged to secure interest-bearing bank borrowings (note 30).

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

15. INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties principally comprise buildings held for medium term rental yields, which are located in Jiaxing City of Zhejiang Province, the PRC, and are held under the following lease terms:

	2020 RMB'000	2019 RMB'000
Medium term leases	217,819	218,061

FAIR VALUE HIERARCHY

The following table illustrates the fair values and fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Investment properties	–	–	286,853	286,853

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Investment properties	–	–	292,942	292,942

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

15. INVESTMENT PROPERTIES (CONTINUED)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2020	2019
Investment properties	Income approach – Term and Reversion Analysis	Estimated rental value (per square metre and per day)	RMB1.33 to RMB1.67	RMB1.39 to RMB1.48
		Market yield	4.5%–5.0%	4.5%
		Term yield	4.0%–4.5%	4.0%

A significant increase/(decrease) in the estimated market rent would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the term yield and market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

The Term and Reversion Analysis estimates the value of the properties on an open market basis by capitalizing the rental income on a fully leased basis having regard to the current passing rental income from the existing tenancies and the potential future reversionary rental income in the market. No allowances have been made for vacancy or capital deductions of any nature.

In this valuation method, the total rental income is divided into current passing rental income over the existing lease term (the term income) and potential future reversionary rental income after the expiry of the existing lease term (the reversionary income). The term “value” is derived by the capitalization of the term “income” over the existing lease term, while the reversionary value is derived by the capitalization of the reversionary income on a fully leased basis, which is then discounted back to the valuation date.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

16. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts for various items of plant and gas pipelines, buildings and prepaid leasehold land, used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings, plant and gas pipelines generally have lease terms between 2 and 27 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payment RMB'000	Plant and gas pipelines RMB'000	Building RMB'000	Total RMB'000
As at 1 January 2019	45,063	83,384	338	128,785
Additions	–	9,934	179	10,113
Transferred to investment properties	(10)	–	–	(10)
Depreciation charge	(1,050)	(7,300)	(104)	(8,454)
As at 31 December 2019 and 1 January 2020	44,003	86,018	413	130,434
Additions	–	8,906	742	9,648
Depreciation charge	(1,177)	(7,984)	(266)	(9,427)
As at 31 December 2020	42,826	86,940	889	130,655

As at 31 December 2020, the Company's right-of-use assets with a carrying value of RMB472,000 (2019: RMB2,143,000) was pledged to secure interest-bearing bank borrowings (note 30).

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	164,112	175,071
New leases	9,648	10,113
Accretion of interest recognised during the year	9,340	9,850
Payments	(19,532)	(30,922)
Carrying amount at 31 December	163,568	164,112
Analysed into:		
Current portion	11,008	9,831
Non-current portion	152,560	154,281

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

16. LEASES (CONTINUED)

THE GROUP AS A LESSEE (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	9,340	9,850
Depreciation charge of right-of-use assets	9,427	8,454
Expense relating to leases of low-value assets (included in administrative expenses and selling and distribution expenses)	378	317
Total amount recognised in profit or loss	19,145	18,621

(d) The total cash outflow for leases are disclosed in notes 33(c) to the financial statements.

THE GROUP AS A LESSOR

The Group leases its investment properties (note 15) consisting of buildings in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB13,349,000 (2019: RMB12,959,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	11,403	12,476
After one year but within two years	10,859	11,815
After two years but within three years	9,205	11,332
After three years but within four years	8,972	9,944
After four years but within five years	8,614	9,943
After five years	42,739	57,706
Total	91,792	113,216

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

17. OTHER INTANGIBLE ASSETS

	Operating rights RMB'000	Software and others RMB'000	Total RMB'000
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	–	2,415	2,415
Additions	2,050	1,065	3,115
Amortisation provided during the year	(43)	(1,178)	(1,221)
At 31 December 2020	2,007	2,302	4,309
At 31 December 2020:			
Cost	2,050	6,871	8,921
Accumulated amortisation	(43)	(4,569)	(4,612)
Net carrying amount	2,007	2,302	4,309
31 December 2019			
At 1 January 2019:			
Cost	–	4,162	4,162
Accumulated amortisation	–	(2,466)	(2,466)
Net carrying amount	–	1,696	1,696
Cost at 1 January 2019, net of accumulated amortisation	–	1,696	1,696
Additions	–	1,644	1,644
Amortisation provided during the year	–	(925)	(925)
At 31 December 2019	–	2,415	2,415
At 31 December 2019:			
Cost	–	5,806	5,806
Accumulated amortisation	–	(3,391)	(3,391)
Net carrying amount	–	2,415	2,415

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

18. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	210,251	161,929

The Group's outstanding balances and transactions with the joint ventures during the year are disclosed in note 36.

Particulars of the Group's material joint ventures are as follows:

Name of company	Nominal value of paid-up/ registered capital	Place of registration and operations	Percentage of		Principal activity
			Voting power	Ownership interest	
Zhejiang Hangjiaxin Clean Energy Co., Ltd.* ("Hangjiaxin") (浙江杭嘉鑫清潔能源有限公司)	RMB700,000,000	PRC/ Mainland China	51%	51%	Construction of docks and LNG warehouses
Jiaxing Gas and Refuelling Station Co., Ltd.* ("Gas and Refuelling Station") (嘉興市加油加氣站有限公司)	RMB30,000,000	PRC/ Mainland China	50%	50%	Operation of natural gas refuelling stations

* The English translations of these company names are for reference only. The official names of these companies are in Chinese.

Hangjiaxin which is considered a material joint venture of the Group, will acts as the Group's supplier of LNG in Mainland China after completing the construction of the LNG storage and transportation station and is accounted for using the equity method.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Hangjiixin adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	176,627	32,121
Non-current assets	949,723	585,768
Current liabilities	(13,728)	(3,075)
Non-Current liabilities	(734,392)	(331,410)
Net assets	378,230	283,404

Reconciliation to the Group's interest in the joint venture:

	2020 RMB'000	2019 RMB'000
Proportion of the Group's ownership	51%	51%
Group's share of net assets of the joint venture	192,978	144,617
Carrying amount of the investment	192,978	144,617
Other income	1,159	2,658
Total expense	(11,333)	(10,055)
Loss and total comprehensive loss for the year	(10,174)	(7,397)
Ownership interest	51%	51%
Share of results	(5,189)	(3,773)

The Company increased the investment in Hangjiixin amounting to RMB53,550,000 during the year ended 31 December 2020 (2019: RMB400,000).

Hangjiixin is in the pre-operating stage and its operating assets are under construction during the year. The board of directors is of the view that the joint venture will generate positive cash flows in the future and there is no indication that the investment may be impaired at the end of the year.

Gas and Refuelling station which is considered a material joint venture of the Group, acts as the Group's customer of transportation services in Mainland China and is accounted for using the equity method.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Gas and Refuelling station adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	31,475	32,052
Non-current assets	3,421	4,516
Current liabilities	(350)	(1,944)
Net assets	34,546	34,624

Reconciliation to the Group's interest in the joint venture:

	2020 RMB'000	2019 RMB'000
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the associate	17,273	17,312
Carrying amount of the investment	17,273	17,312
Revenue	36,273	51,991
Other income	352	219
Total expense	(36,700)	(50,778)
Tax	(3)	(108)
(Loss)/profit and total comprehensive (loss)/income for the year	(78)	1,324
Ownership interest	50%	50%
Share of results	(39)	663
Dividend received	-	2,500

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

19. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	21,255	11,175

The Group's outstanding balances and transactions with the associates during the year are disclosed in note 36.

Particulars of the associates are as follows:

Name of company	Nominal value of paid-up/ registered capital	Place of registration and operations	Percentage of		Principal activity
			Voting power	Ownership interest	
Pinghu Natural Gas Co., Ltd.* ("Pinghu Natural Gas") (平湖市天然氣有限公司)	RMB60,000,000	PRC/ Mainland China	39%	39%	Sales of gas products, and pipeline construction and maintenance
Jiaxing Jiatong New Energy Co., Ltd.* ("Jiatong New Energy") (嘉興市嘉通新能源股份有限公司)	RMB30,000,000	PRC/ Mainland China	20%	20%	Operation of natural gas refuelling stations
Jiaxing LPG Co., Ltd.* ("Jiaxing LPG") (嘉興市管道液化氣有限責任公司)	RMB1,200,000	PRC/ Mainland China	34%	34%	Sales of piped gas products

* The English translations of these company names are for reference only. The official names of these companies are in Chinese.

The Group has discontinued the recognition of its share of losses of associate, Jiaxing LPG, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were RMB109,000 (2019: RMB95,000) and RMB109,000 (2019: RMB95,000), respectively.

Pinghu Natural Gas, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the sales of natural gas and is accounted for using the equity method.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Pinghu Natural Gas adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	92,481	96,961
Non-current assets	255,379	221,290
Current liabilities	(207,159)	(203,288)
Non-Current liabilities	(99,575)	(95,981)
Net assets	41,126	18,982

Reconciliation to the Group's interest in the associate:

	2020 RMB'000	2019 RMB'000
Proportion of the Group's ownership	39%	39%
Group's share of net assets of the associate	16,580	7,247
Carrying amount of the investment	16,580	7,247
Revenue	252,581	257,156
Other income	1,077	1,747
Total expense	(221,324)	(225,968)
Tax	(12,169)	(8,302)
Profit and total comprehensive income for the year	20,165	24,633
Ownership interest	39%	39%
Share of results	7,864	9,607
Dividend received	10,231	19,284

The Company increased the investment in Pinghu Natural Gas amounting to RMB11,700,000 during the year ended 31 December 2020 (2019: nil).

Jiatong New Energy which is considered a material associate of the Group, acts as the Group's supplier of LNG in Mainland China and is accounted for using the equity method.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Jiatong New Energy adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	15,766	7,707
Non-current assets	11,661	14,782
Current liabilities	(4,053)	(2,848)
Net assets	23,374	19,641

Reconciliation to the Group's interest in the associate:

	2020 RMB'000	2019 RMB'000
Proportion of the Group's ownership	20%	20%
Group's share of net assets of the associate	4,675	3,928
Carrying amount of the investment	4,675	3,928
Revenue	39,501	40,833
Other income	2,173	198
Total expense	(36,580)	(37,141)
Tax	(1,361)	(1,106)
Profit and total comprehensive income for the year	3,733	2,784
Ownership interest	20%	20%
Share of results	747	556

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Listed equity investments, at fair value	9,931	1,741
Other unlisted investments, at fair value		
– Unlisted equity investments, at fair value	12,230	14,763
– Wealth management products	797	735
	13,027	15,498
	22,958	17,239
Classified as		
Current	10,728	2,476
Non-current	12,230	14,763
	22,958	17,239

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading or the Group had not irrevocably elect to classify at fair value through other comprehensive income.

The above wealth management products were issued by securities company in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

21. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

DEFERRED TAX ASSETS

	Impairment of financial assets RMB'000	Contract liabilities RMB'000	Accruals and provisions RMB'000	Total RMB'000
At 1 January 2019	1,944	112,432	35,495	149,871
Deferred tax (charged)/credited to statement of profit or loss during the year (note 11)	(14)	(645)	1,498	839
Gross deferred tax assets at 31 December 2019 and 1 January 2020	1,930	111,787	36,993	150,710
Deferred tax credited/(charged) to statement of profit or loss during the year (note 11)	51	(3,320)	932	(2,337)
At 31 December 2020	1,981	108,467	37,925	148,373

The deferred tax assets arising from the impairment of financial assets mainly comprised of impairment of accounts receivables and other receivables; the deferred tax assets arising from contract liabilities mainly comprised of advances received from customers for construction services and installation and management services; and the deferred tax assets arising from accruals and provisions mainly comprised of other assets and liabilities which have temporary differences between the carrying amounts and the tax bases. The board of director is of the opinion that sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

There are no deferred tax assets that have not been recognised as at 31 December 2020 (2019: nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

22. INVENTORIES

	2020 RMB'000	2019 RMB'000
Construction materials	5,615	5,701
Natural gas	2,111	2,167
Liquefied petroleum gas	450	446
	8,176	8,314

23. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	90,507	50,665
Bills receivable	1,690	887
	92,197	51,552
Impairment	(2,612)	(2,427)
	89,585	49,125

The Group's trading terms with its customers are mainly on credit except for certain new customers where payment in advance is required. The Group's trading terms for the sales of natural gas are paid in advance or due within 30 days from delivery for different customers, while the trading terms for the rendering of construction and connection of gas pipelines services are mainly on credit and the average trade credit period is 180 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade and bills receivables are unsecured and non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

23. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within one year	85,258	46,768
Over one year	4,327	2,357
	89,585	49,125

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	2,427	2,492
Impairment losses, net (note 7)	185	(65)
At end of year	2,612	2,427

An impairment analysis is performed at the end of the year using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of the year about past events, current conditions and forecasts of future economic conditions.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

23. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2020

	Current	Past due			Total
		Less than 6 months	6 to 12 months	Over 1 year	
Expected credit loss rate	0.19%	18.69%	1.06%	100.00%	2.83%
Gross carrying amount (RMB'000)	87,543	289	1,990	2,375	92,197
Expected credit losses (RMB'000)	162	54	21	2,375	2,612

As at 31 December 2019

	Current	Past due			Total
		Less than 6 months	6 to 12 months	Over 1 year	
Expected credit loss rate	0.14%	0.24%	–	100.00%	4.71%
Gross carrying amount (RMB'000)	48,777	418	–	2,357	51,552
Expected credit losses (RMB'000)	69	1	–	2,357	2,427

The expected credit loss for bills receivable, which are all bank acceptance notes, approximates to zero. Those banks who issue bank acceptance notes are creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

24. CONTRACT ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract assets arising from:		
Construction services	15,928	1,224
Impairment	–	–
	15,928	1,224

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2020 was the result of the increase in the ongoing provision of construction services at the end of the years.

During the year ended 31 December 2020, no allowance (2019: Nil) for expected credit losses on contract assets was recognized and the expected loss allowance was assessed to be minimal. The Group's trading terms and credit policy with customers are disclosed in note 23.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 is as follows:

	2020 RMB'000	2019 RMB'000
Within one year	15,928	1,224

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments	23,175	26,312
Other receivables	12,055	29,434
Deposits	296	312
	35,526	56,058
Impairment	(5,117)	(5,063)
	30,409	50,995
Classified as:		
Prepayment, other receivables and other assets	21,828	36,545
Other non-current assets	8,581	14,450
	30,409	50,995

Deposits and other receivables mainly represent rental deposits, deposits with suppliers and other receivables from related parties and third parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

	As at 31 December 2020		
	Deposits	Other receivables	Uncollectable other receivables
Expected credit loss rate	–	–	100%
Gross carrying amount (RMB'000)	296	6,938	5,117
Expected credit losses (RMB'000)	–	–	5,117

	As at 31 December 2019		
	Deposits	Other receivables	Uncollectable other receivables
Expected credit loss rate	–	–	100%
Gross carrying amount (RMB'000)	312	24,371	5,063
Expected credit losses (RMB'000)	–	–	5,063

The movements in loss allowance for impairment of other receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	5,063	5,058
Impairment losses, net (note 7)	54	5
At end of year	5,117	5,063

Except for certain other receivables with carrying amount of RMB5,117,000 as at 31 December 2020, of which a full provision for impairment has been made, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020, the loss allowance was assessed to be minimal.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	306,474	70,238
Time deposits	37,874	–
	344,348	70,238
Less: Pledged time deposits:		
Pledged for issuance of bank acceptance notes	(2,031)	(7,092)
Cash and cash equivalents	342,317	63,146
Denominated in Hong Kong Dollars (“HKD”)	267,997	–
Denominated in RMB	74,320	63,146
	342,317	63,146

The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

27. TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	127,520	91,236
Bills payable	10,074	9,149
	137,594	100,385

An ageing analysis of the outstanding trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	135,312	99,441
1 to 2 years	1,338	282
Over 2 years	944	662
	137,594	100,385

Trade payables are non-interest-bearing and are normally settled on demand.

28. OTHER PAYABLES AND ACCRUALS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Construction costs	22,324	23,485
Taxes	3,106	1,528
Payroll and welfare	16,757	20,994
Accruals	869	889
Others	18,102	17,258
	61,158	64,154

Other payables are non-interest-bearing and are normally settled on demand.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

29. CONTRACT LIABILITIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
<i>Short-term advances received from customers</i>		
Installation and management services	49,975	46,716
Construction services	47,418	20,449
Sales of natural gas	11,909	17,575
Sales of construction materials	1,268	607
	110,570	85,347
<i>Long-term advances received from customers</i>		
Installation and management services	364,229	379,984
	474,799	465,331

Contract liabilities include advances received from customers to deliver installation and management services, construction services and sales of natural gas. The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the provision of construction services at the end of the year.

30. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank-loans						
– secured	-	-	-	5.39	2020	173,400
Non-Current						
Bank-loans						
– secured	LPR* (1+20.18%)	2022-2023	20,000	4.99	2022	20,000
	LPR+0.05%	2028-2029	94,500	-	-	-
			114,500	-	-	193,400

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

30. INTEREST-BEARING BANK BORROWINGS (continued)

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans and borrowings repayable:		
Within one year or on demand	–	173,400
In the second year	10,000	–
In the third to fifth years, inclusive	10,000	20,000
Beyond five years	94,500	–
	114,500	193,400

Notes:

- All borrowings are in RMB.
- The Group's interest-bearing bank borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	2020 RMB'000	2019 RMB'000
Pledge of assets:		
Investment properties	130,932	194,781
Property, plant and equipment	15,635	4,120
Pledged deposits	2,031	7,092
Prepaid land lease payments	–	2,143
	148,598	208,136

- The Group's overdraft facilities amounting to RMB954,000,000 (2019: RMB756,000,000), of which RMB186,423,000 (2019: RMB211,457,289) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's assets noted above.

NOTES TO FINANCIAL STATEMENTS (continued)

30 December 2020

31. SHARE CAPITAL

SHARES

	2020 RMB'000	2019 RMB'000
Issued and fully paid: 137,844,500 (2019:100,000,000) ordinary shares	137,845	100,000

A summary of movements in the Company's share capital is as follows:

	Numbers of Shares in issue	Share capital RMB'000
At 1 January 2019, 31 December 2019 and 1 January 2020	100,000,000	100,000
Issue of shares	37,844,500	37,845
At 31 December 2020	137,844,500	137,845

Note: In connection with the Company's Global Offering on the Stock Exchange, on 16 July 2020, 33,340,000 ordinary shares of RMB1.00 each were issued at a subscription price of HK\$10.0 per share, and on 7 August 2020, 4,504,500 ordinary shares of RMB1.00 each were issued by partial exercise of the over-allotment option at a price of HK\$10.0 per share, after deducting expenses related to issue of shares, the share capital and capital reserve of the Company increased by RMB37,845,000 and RMB264,277,000, respectively.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 61 of the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB9,648,000 (2019: RMB10,113,000) and RMB9,648,000 (2019: RMB10,113,000), respectively, in respect of lease arrangements for plant and gas pipelines.

(b) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2020

	Bank Borrowings RMB'000	Lease liabilities RMB'000	Interest payable included in other payables and accruals RMB'000
At 1 January 2020	193,400	164,112	-
Changes from financing cash flows	(78,900)	(19,532)	(8,447)
Interest expense	-	9,340	8,447
New leases	-	9,648	-
At 31 December 2020	114,500	163,568	-

2019

	Bank Borrowings RMB'000	Lease liabilities RMB'000	Interest payable included in other payables and accruals RMB'000
At 1 January 2019	203,592	175,071	223
Changes from financing cash flows	(10,192)	(30,922)	(10,147)
Interest expense	-	9,850	9,924
New leases	-	10,113	-
At 31 December 2019	193,400	164,112	-

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
With operating activities	378	317
With financing activities	19,532	30,922
	19,910	31,239

34. CONTINGENT LIABILITIES

	2020 RMB'000	2019 RMB'000
Guarantee bank loan of Hangjiaxin	506,326	306,910

In December 2018, the Group's joint venture, Hangjiaxin, obtained a bank loan for investment in property, plant and equipment used in operation, which was guaranteed by the Group. The board of directors of the Company considers that the possibility of default in payment regarding the bank loan of Hangjiaxin is remote after taking the fair value of pledged assets provided by Hangjiaxin and the predicted cash inflow of Hangjiaxin into consideration and therefore no provision has been made in the consolidated financial statements for the contingent liability arising from the guarantee provided by the Group to the bank loan of Hangjiaxin.

35. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the year:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for: Property, plant and equipment	2,468	1,867

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

36. RELATED PARTY TRANSACTIONS

(a) NAME AND RELATIONSHIP

Name of related party	Relationship with the Group
Gas and Refuelling Station	Joint venture
Hangjiaxin	Joint venture
Jiaxing LPG	Associate
Jiatong New Energy	Associate
Jiaxing Jiaxing Pipeline Company Network Management Co., Ltd. ("Jiaxing Pipeline Company") (嘉興市天然氣管網經營有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingyuan Hotel Management Co., Ltd. ("Qingyuan Hotel") (嘉興市清園酒店管理有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingyuan Ecological Farm Co., Ltd. ("Ecological Farm") (嘉興市清園生態農莊有限公司)	Company controlled by shareholders of the Company

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

36. RELATED PARTY TRANSACTIONS (continued)

(a) NAME AND RELATIONSHIP (continued)

Name of related party	Relationship with the Group
Jiaxing Qingchi Hot Spring Tourism Development Co., Ltd. ("Qingchi Hot Spring") (嘉興市清池溫泉旅遊開發有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingchi Cultural Industry Development Co., Ltd. ("Qingchi Cultural Industry") (嘉興清池文化產業發展有限公司)	Company controlled by shareholders of the Company
Jiaxing Songjia Trading Co., Ltd. ("Songjia Trading") (嘉興市宋嘉貿易有限公司)	Company controlled by shareholders of the Company
Jiaxing Yunhe Inn Co., Ltd. ("Yunhe Inn") (嘉興市運河酒店有限公司)	Company controlled by shareholders of the Company
Jiaxing Salon International Hotel Co., Ltd. ("Salon International Hotel") (嘉興市沙龍國際賓館有限公司)	Company controlled by shareholders of the Company
Jiaxing Yuehe Inn Co., Ltd. ("Yuehe Inn") (嘉興市月河客棧有限公司)	Company controlled by shareholders of the Company
Flat Glass Group Co., Ltd. ("Flat Group") (福萊特玻璃集團股份有限公司)	Shareholder of the Company
Zhuji Jinfeng Pipeline Co., Ltd. ("Zhuji Jinfeng") (諸暨錦楓管業有限公司)	Company controlled by a director of the Company
Jiaxing Nanhu Hetai Finance Co., Ltd. ("Nanhu Hetai") (嘉興市南湖禾泰小額貸款有限公司)	Company significantly influenced by shareholders of the Company

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

36 RELATED PARTY TRANSACTIONS (continued)

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2020 RMB'000	2019 RMB'000
Associates:			
<i>Purchase of LNG from</i>			
Jiatong New Energy	(i)	37	50
Joint ventures:			
<i>Guarantee of bank loans</i>			
Hangjiaxin	(ii)	506,326	306,910
<i>Transportation income from</i>			
Gas and Refuelling Station	(iii)	2,341	3,395
<i>Rental income from</i>			
Gas and Refuelling Station	(iv)	264	253
Hangjiaxin	(iv)	344	642
		608	895
Others:			
<i>Sales of natural gas to</i>			
Flat Group	(v)	41,238	–
Qingyuan Hotel	(v)	3,235	3,824
Salon International Hotel	(v)	968	1,523
Yuehe Inn	(v)	898	963
Qingchi Cultural Industry	(v)	227	–
Yunhe Inn	(v)	68	–
		46,634	6,310
<i>Sales of PNG to</i>			
Ecological Farm	(v)	24	–
<i>Purchase of natural gas from</i>			
Jiaxing Pipeline Company	(i)	583,825	886,986
<i>Purchase of construction materials from</i>			
Zhuji Jinfeng	(i)	5,618	6,032
<i>Purchase of right-of-use assets</i>			
Jiaxing Pipeline Company	(vi)	8,906	9,934

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

36 RELATED PARTY TRANSACTIONS (continued)

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

	Notes	2020 RMB'000	2019 RMB'000
<i>Purchase of other products from</i>			
Songjia Trading	(i)	226	117
Ecological Farm	(i)	4	41
		230	158
<i>Rental income from</i>			
Qingyuan Hotel	(iv)	5,108	5,440
Jiaxing Pipeline Company	(iv)	140	140
Nanhu Hetai	(iv)	116	110
		6,043	5,690
<i>Interest expense on lease liabilities</i>			
Jiaxing Pipeline Company	(vi)	9,264	9,843
<i>Purchase of services from</i>			
Qingyuan Hotel	(i)	1,974	2,598
Qingchi Cultural Industry	(i)	82	–
Yuehe Inn	(i)	45	–
Qingchi Hot Spring	(i)	–	814
		2,101	3,412

- (i) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (ii) The Company provided guarantee for the bank loans of Hangjiaxin amounted to RMB506,326,000 (2019: RMB306,910,000) as at the end of the reporting period. Details of the guarantee were set out in note 34.
- (iii) The transportation income arose from providing transportation service to the Group's joint venture. The transaction price was substantially in line with those offered to the major customers of the Group.
- (iv) The rental income represents considerations received for the rental of investment properties to the Group's related parties. It is considered that the annual rentals payable under the relevant rent agreements were made according to the market price and had been agreed by both parties.
- (v) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (vi) The purchase of right-of-use assets and interest expense on lease liabilities were recognised from the rent agreement of gas pipelines and properties with Jiaxing Pipeline Company. The Company purchased right-of-use assets amounted to RMB8,906,000 (2019: RMB9,934,000) and generate interest on lease liabilities amounted to RMB9,264,000 (2019: RMB9,843,000). The consideration for the rental was calculated by a charge rate (9.16%) of the cost of the rental gas pipelines and properties and was agreed by both parties.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

36. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

	Notes	2020 RMB'000	2019 RMB'000
Amounts due from related parties			
Jiaxing LPG	i	5,678	5,802
Jiaxing Pipeline Company	ii	1,185	2,864
Qingyuan Hotel	ii	3,264	2,886
Qingchi Hot Spring	ii	813	813
Qingchi Cultural Industry	ii	247	–
Flat Group	ii	105	–
Salon International Hotel	ii	151	236
Yuehe Inn	ii	160	111
Yunhe Inn	ii	2	–
Ecological Farm	ii	2	–
Hangjiaxin	ii	–	700
Gas and Refuelling Station	iii	–	1,000
		11,607	14,412
Amounts due to related parties			
Jiaxing Pipeline Company	iv	170,976	170,505
Hangjiaxin	v	500	–
Gas and Refuelling Station	v	289	–
Jiaxing LPG	i	161	–
Zhuji Jinfeng	vi	108	913
		172,034	171,418

- i The amount due from or due to Jiaxing LPG was non-trade in nature, unsecured and interest-free. The balance as at 31 December 2020 has been fully provided for impairment because Jiaxing LPG is under the situation of discontinuing its business and the board of directors does not expect the amount to be collectible. The Company also paid social security for staffs from Jiaxing Pipeline Company.
- ii The amounts due from related parties amounted to RMB5,929,000 (2019: RMB7,610,000) as at end of the reporting date were trade in nature, unsecured, interest-free and repayable within 180 days.
- iii The amount due from Gas and Refuelling Station amounted to RMB1,000,000 as at 31 December 2019 was non-trade in nature, unsecured, interest-free and was paid in March 2020.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

36. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties: (continued)

- iv The Company rented gas pipelines and properties from Jiaying Pipeline Company and recognized the corresponding lease liabilities. The maturity profile of the lease liabilities due to Jiaying Pipeline Company as at the end of the year is as follows:

	Within 1 year RMB'000	Within 2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2020	10,847	49,555	102,393	162,795
At 31 December 2019	9,774	57,402	96,786	163,962

The remaining balance of amount due to Jiaying Pipeline Company amounted to RMB9,429,000 (2019: RMB6,543,000) as at end of the reporting date was trade in nature, interest-free and repayable within 30 Days.

- v The amount due to Gas and Refuelling Station and Hangjiaxin were trade in nature, unsecured, and interest-free.
- vi The amount due to Zhuji Jinfeng was trade in nature, unsecured, interest-free and repayable within 30 days.

(d) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2020 RMB'000	2019 RMB'000
Short term employee benefits	3,362	3,609
Post-employment benefits	424	509
Total compensation paid to key management personnel	3,786	4,118

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

The related party transactions in respect of purchase of natural gas from Jiaying Pipeline Company, purchase of construction materials from Zhuji Jinfeng and Rental income from Qingyuan Hotel above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2020

FINANCIAL ASSETS

	Financial Assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	89,585	89,585
Financial assets included in prepayments, other receivables and other assets	–	7,234	7,234
Financial assets at fair value through profit or loss:			
Unlisted equity investments at fair value through profit or loss	12,230	–	12,230
Held for trading	10,728	–	10,728
Pledged deposits	–	2,031	2,031
Cash and cash equivalents	–	342,317	342,317
	22,958	441,167	464,125

FINANCIAL LIABILITIES

	Financial liabilities measured at amortised cost RMB'000
Trade payables	137,594
Financial liabilities included in other payables and accruals	40,426
Lease liabilities (note 16)	163,568
Interest-bearing bank borrowings (note 30)	114,500
	456,088

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2019

FINANCIAL ASSETS

	Financial Assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables and bills	–	49,125	49,125
Financial assets included in prepayments, other receivables and other assets	–	24,683	24,683
Financial assets at fair value through profit or loss:			
Unlisted equity investments at fair value through profit or loss	14,763	–	14,763
Held for trading	2,476	–	2,476
Pledged deposits	–	7,092	7,092
Cash and cash equivalents	–	63,146	63,146
	17,239	144,046	161,285

FINANCIAL LIABILITIES

	Financial liabilities measured at amortised cost RMB'000
Trade payables	100,385
Financial liabilities included in other payables and accruals	40,743
Lease liabilities (note 16)	164,112
Interest-bearing bank borrowings (note 30)	193,400
	498,640

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at fair value through profit or loss:				
Unlisted equity investments at fair value through profit or loss	12,230	14,763	12,230	14,763
Held for trading	10,728	2,476	10,728	2,476
	22,958	17,239	22,958	17,239

	Carrying amounts		Fair values	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Interest-bearing bank borrowings (non-current portion)	114,500	20,000	111,163	19,873

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At the end of each of the year, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at the end of each of the year were assessed to be insignificant.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of listed equity investments and wealth management products are based on quoted market prices. The fair values of unlisted equity investment and wealth management products at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the board of directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, for example price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a net assets measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding book value measure of the unlisted equity investment to measure the fair value. The board of directors believes that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the year.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Valuation multiples	Average P/B multiple of peers	0.5 to 2.0 (2019: 0.7 to 2.4)	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,223,000 (2019: RMB1,476,000)
		Discount for lack of marketability	20% to 30% (2019: 20% to 30%)	10% increase/decrease in discount would result in decrease/increase in fair value by RMB1,223,000 (2019: RMB1,476,000)

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	9,931	797	12,230	22,958

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	1,741	735	14,763	17,239

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value at the end of the year (2019: Nil).

Assets for which fair values are disclosed:

The Group did not have any financial assets for which fair values are disclosed at the end of the year (2019: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings (non-current portion)	–	111,163	–	111,163

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank borrowings (non-current portion)	–	19,873	–	19,873

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using variable rate debts. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2020			
RMB	50	(150)	(150)
RMB	(50)	150	150
2019			
RMB	50	(304)	(304)
RMB	(50)	304	304

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FOREIGN CURRENCY RISK

The Group's businesses are located in Mainland China and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the HK\$ and RMB exchange rate, with all other variables held constant, of the Group's profit after tax and equity.

	Increase/ (decrease) in HK\$ rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2020			
If RMB weakens against the HK\$	(5)	10,050	10,050
If RMB strengthens against the HK\$	5	(10,050)	(10,050)

* Excluding retained profits

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, receivable balances are monitored on an ongoing basis; therefore, the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	RMB'000
	Stage 1 RMB'000	Stage 2 RMB '000	Stage 3 RMB'000			
Trade and bills receivables *	–	–	–	90,507	90,507	
Contract assets*	–	–	–	15,928	15,928	
Financial assets included in prepayments, other receivables and other assets						
– Normal**	7,234	–	–	–	7,234	
– Doubtful**	–	–	5,117	–	5,117	
Pledged deposits	2,031	–	–	–	2,031	
Cash and cash equivalents						
– Not yet past due	342,317	–	–	–	342,317	
Guarantees given to banks in connection with facilities granted to a joint venture						
– Not yet past due	506,326	–	–	–	506,326	
	857,908	–	5,117	106,435	969,460	

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade and bills receivables *	–	–	–	50,665	50,665	
Contract assets*	–	–	–	1,224	1,224	
Financial assets included in prepayments, other receivables and other assets						
– Normal**	24,683	–	–	–	24,683	
– Doubtful**	–	–	5,063	–	5,063	
Pledged deposits	7,092	–	–	–	7,092	
Cash and cash equivalents						
– Not yet past due	63,146	–	–	–	63,146	
Guarantees given to banks in connection with facilities granted to a joint venture						
– Not yet past due	306,910	–	–	–	306,910	
	401,831	–	5,063	51,889	458,783	

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

Maximum exposure and year-end staging (continued)

- * For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 24 to the financial statements, respectively.
- ** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

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

	On demand RMB’000	Within 1 year RMB’000	Within 2 to 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
At 31 December 2020					
Trade payables	137,594	–	–	–	137,594
Financial liabilities included in other payables and accruals	40,426	–	–	–	40,426
Lease liabilities	–	19,751	78,774	124,476	223,001
Interest-bearing bank borrowings	–	–	49,126	97,188	146,314
Guarantees given to banks in connection with facilities granted to a joint venture	–	61,743	274,552	273,583	609,878
	178,020	81,494	402,452	495,247	1,157,213

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

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

	On demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Trade payables	100,385	–	–	–	100,385
Financial liabilities included in other payables and accruals	40,743	–	–	–	40,743
Lease liabilities	–	18,667	74,503	36,269	229,439
Interest-bearing bank borrowings	–	176,942	22,957	–	199,899
Guarantees given to banks in connection with facilities granted to a joint venture	–	–	277,063	85,658	362,721
	141,128	195,609	374,523	221,927	933,187

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 20). The Group's listed investments are listed on the Hong Kong and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2020	High/low 2020	31 December 2019	High/low 2019
Hong Kong – Hang Seng Index	27,231	29,175/21,139	28,190	30,280/24,897
Shanghai – A Share Index	3,473	3,475/2,647	3,050	3,288/2,441

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

EQUITY PRICE RISK (continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Changes in profit after tax RMB'000
2020			
Investments listed in:			
Hong Kong – Financial assets at fair value through profit or loss	5	8,367	314
Shanghai – Financial assets at fair value through profit or loss	5	1,564	59
2019			
Investments listed in:			
Hong Kong – Financial assets at fair value through profit or loss	5	–	–
Shanghai – Financial assets at fair value through profit or loss	5	1,742	65

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 and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT (continued)

The Group monitors capital using gearing ratio, which is total bank borrowings divided by total equity. The gearing ratios at the end of the reporting period were as follows:

	2020 RMB'000	2019 RMB'000
Interest-bearing bank and other borrowings (note 30)	114,500	193,400
Total equity	754,433	356,829
Gearing ratio	15.18%	54.20%

40. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	356,029	365,743
Investment properties	247,427	248,601
Right-of-use assets	114,419	113,810
Other intangible assets	2,234	2,363
Investments in joint ventures	–	161,929
Investments in associates	231,506	11,175
Investment in subsidiaries	49,400	49,400
Financial assets at fair value through profit or loss	12,230	14,763
Deferred tax assets	115,448	117,272
Other non-current assets	8,581	13,708
Total non-current assets	1,136,549	1,098,764
CURRENT ASSETS		
Inventories	1,817	2,328
Trade and bills receivables	61,440	35,317
Contract assets	15,928	1,161
Prepayments, other receivables and other assets	22,393	28,705
Financial assets at fair value through profit or loss	10,728	2,476
Pledged deposits	2,031	7,092
Cash and cash equivalents	321,812	43,876
Total current assets	436,149	120,955
CURRENT LIABILITIES		
Trade and bills payables	149,968	88,803
Other payables and accruals	40,139	46,299
Contract liabilities	81,285	63,579
Interest-bearing bank borrowings	–	164,400
Lease liabilities	11,008	9,831
Total current liabilities	282,400	372,912
NET CURRENT ASSETS/(LIABILITIES)	153,749	(251,957)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,290,298	846,807

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2020

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES		
Contract liabilities	310,252	326,160
Interest-bearing bank borrowings	114,500	20,000
Lease liabilities	152,560	154,281
Total non-current liabilities	577,312	500,441
Net assets	712,986	346,366
EQUITY		
Equity attributable to owners of the parent		
Share capital	137,845	100,000
Reserves (note)	575,141	246,366
TOTAL EQUITY	712,986	346,366

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000
Balance at 1 January 2019	–	45,715	199,511	245,226
Total comprehensive income for the year	–	–	71,140	71,140
Final 2018 dividend declared	–	–	(70,000)	(70,000)
Transfer from retained profits	–	8,036	(8,036)	–
At 31 December 2019 and 1 January 2020	–	53,751	192,615	246,366
Total comprehensive income for the year	–	–	64,498	64,498
Issue of shares	303,284	–	–	303,284
Share issue expenses	(39,007)	–	–	(39,007)
Transfer from retained profits	–	6,246	(6,246)	–
At 31 December 2020	264,277	59,997	250,867	575,141

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2021.

FOUR YEAR FINANCIAL SUMMARY

	For the year ended 31 December			
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Results				
Revenue	883,604	1,258,782	1,330,332	1,273,713
Cost	(731,983)	(1,088,525)	(1,133,267)	(1,050,141)
Gross profit	151,621	170,257	197,065	223,572
Selling and distribution costs	(19,358)	(22,565)	(21,878)	(22,269)
Administrative expenses	(37,470)	(41,868)	(43,097)	(47,010)
Other expenses	(339)	(4,179)	(3,898)	(24,944)
Profit before tax	83,697	95,632	117,342	125,462
Tax	(19,354)	(22,305)	(27,976)	(29,980)
Profit for the year	64,343	73,327	89,366	95,482
Profit attributable to for the year				
Shareholders of the Company	62,299	70,342	86,898	92,520
Non-controlling interests	2,044	2,985	2,468	2,962
Assets and liabilities				
Non-current assets	1,175,452	1,218,516	1,186,847	1,224,426
Current assets	134,675	162,258	167,922	490,593
Non-current liabilities	580,472	547,523	554,265	631,289
Current liabilities	464,257	495,229	443,675	329,297
Equity attributable to shareholders of the Company	253,778	324,120	341,018	735,660

