



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

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

Stock Code: 1265

Annual Report
2021

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COMPANY INFORMATION

DIRECTORS

Executive Directors

Zhao Wei (*Chairman*)
Tang Jie
Sun Liangchuan

Non-executive Directors

Hou Shuang Jiang
Zhao Heng Hai
Hou Yuling

Independent Non-executive Directors

Zhang Ying Hua
Yu Jian Jun
Guo Jia Li

INDEPENDENT SUPERVISORS

Xu Hui
Liu Zhi Yuan

STAFF REPRESENTATIVE SUPERVISORS

You Hui Yan
Zhang Tingting

SHAREHOLDERS' REPRESENTATIVE SUPERVISOR

Sun Guoqing

COMPANY SECRETARY

Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Sun Liangchuan
Lau Kwok Yin

BOARD COMMITTEES

Audit Committee

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

Nomination Committee

Zhao Wei (*Chairman*)
Zhang Ying Hua
Yu Jian Jun

Remuneration Committee

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

As of 31 December 2021 and date of this annual report

COMPANY INFORMATION

LEGAL ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre,
No. 248 Queen's Road East,
Wanchai, Hong Kong

AUDITORS

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

HONG KONG LEGAL ADVISER

HW Lawyers
Units 2511-2512,
K11 Atelier King's Road,
No. 728 King's Road,
Hong Kong

SHARE REGISTRAR

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

PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch,
PRC

STOCK CODE

The Stock Exchange of Hong Kong Limited: 01265

As of 31 December 2021 and date of this annual report

FINANCIAL SUMMARY

	2021	2020
	RMB'000	RMB'000
Revenue	1,579,770	1,344,636
Operating profit/(loss)	7,909	(15,405)
Net profit/(loss) attributable to shareholders of the Parent	1,432	(13,515)
Equity attributable to shareholders of the Parent	1,654,489	1,749,377
Total assets	2,345,374	2,458,404
	2021	2020
	RMB	RMB
Earnings/(loss) per share		
Basic RMB	0.001	(0.007)

CHAIRMAN'S STATEMENT

To all the shareholders (the “Shareholders”),

On behalf of the board (the “Board”) of directors (the “Directors”) of Tianjin Jinran Public Utilities Company Limited (the “Company”), I am pleased to present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 (the “Year” or the “Reporting Period” or the “Period”).

2021 was a critical year for the Group to withstand the challenges as prevention and control of pandemic normalised, and for the Group to reverse its declining trend of performance. 2021 was also first year of implementing the “14th Five-Year Plan”, with opportunities and challenges along the way. The Group consolidated its foothold at this new stage of development by focusing on its principal businesses, enhancing its quality and efficiency, supplying gas safely and stably, optimizing corporate governance structure, properly advancing corporate reform, effectively improving its service standard for general livelihood, and gradually facilitating various tasks and objectives for the Year. The Board and management of the Company made breakthrough through insistence, pursued new situation and new chapters, focus on key areas and increased efficiency. The Group also continuously optimizing its operating environment through making endeavors in improving the reporting and installation services, streamlining processes, and reducing time. It also increased technology and capital investments in maintenance, pipeline patrol inspection and security examination to assume its social responsibilities of maintaining safe and stable gas supply and successfully completed its various tasks in relation to securing provision for the Year. With coherent dedication and efforts from all levels of its staff, the Group was able to turn loss into profit in the Year, and will continue to explore and cultivate new growth points. As of 31 December 2021, the total assets and net assets of the Group were approximately RMB2,345 million and approximately RMB1,654 million, respectively; turnover amounted to approximately RMB1,580 million, representing an year-on-year increase of approximately 17.5%. The Group turned the loss in the prior year of approximately RMB13,641,400 into a net profit of approximately RMB1,204,800 with a basic earnings per share of approximately RMB0.001.

CHAIRMAN'S STATEMENT

In 2021, the Group suppressed the declining trend of its performance in general, but the pressures on realizing results growth remained. In 2022, the continued existing of downward pressure in external economy, and, the normalization of pandemic prevention and control been posing challenges to the Group from various aspects including safety examination and services. The Board will continue to practice new concepts of development, create mechanisms, stimulate vitality and seek for strategies in order to take lead in opening new landscape during the process of expediting the building of new development landscape. It will improve internal management, further consolidate the building and implementation of systems, improve level of management and control, reduce administrative costs and practice austerity (「過緊日子」); focus on principal businesses, make efforts in expanding the piped gas market, prioritize market expansion and develop new customers, further explore potential large users by identifying users' needs in the current market share, thereby defending the established markets; strengthen communication with gas sources units and competent department in charge of gas prices, actively coordinate and address the cost pass-through mechanism for gas, smoothen the lifeline of the Group; address the issue of gas source by all means, strive to cut costs; strenuously stimulate vitality in cooperate innovation, promote value-added services and strive to create new momentum for corporate growth; give effect to and practice value thinking and efficiency-led concepts; unswervingly stick to the concept of safe development, advance the building of intrinsic safety; strengthen the corporate governance according to law, facilitate the building of the integrity compliance system; continue to strengthen the training and nurturing of talents, enhance the quality and capacity of talent echelons overall; continue to improve the governance structure of corporate legal person of listed company, and give full play of the functions of the corporate governance structure. The Group will, with unwavering confidence, full sense of responsibility and solid actions, overcome difficulties and make innovations in order to achieve its annual goals and tasks and promote reform and development, safety and stability, and operations and services and other works to a new level.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to thank the Group's shareholders, customers and business partners for their continuing supports, and the Group's staff for their diligence and contribution during the past year. The Group possesses a team of high quality and professional staff, and I look forward to a more rewarding 2022 for the Group's shareholders.

Zhao Wei
Chairman

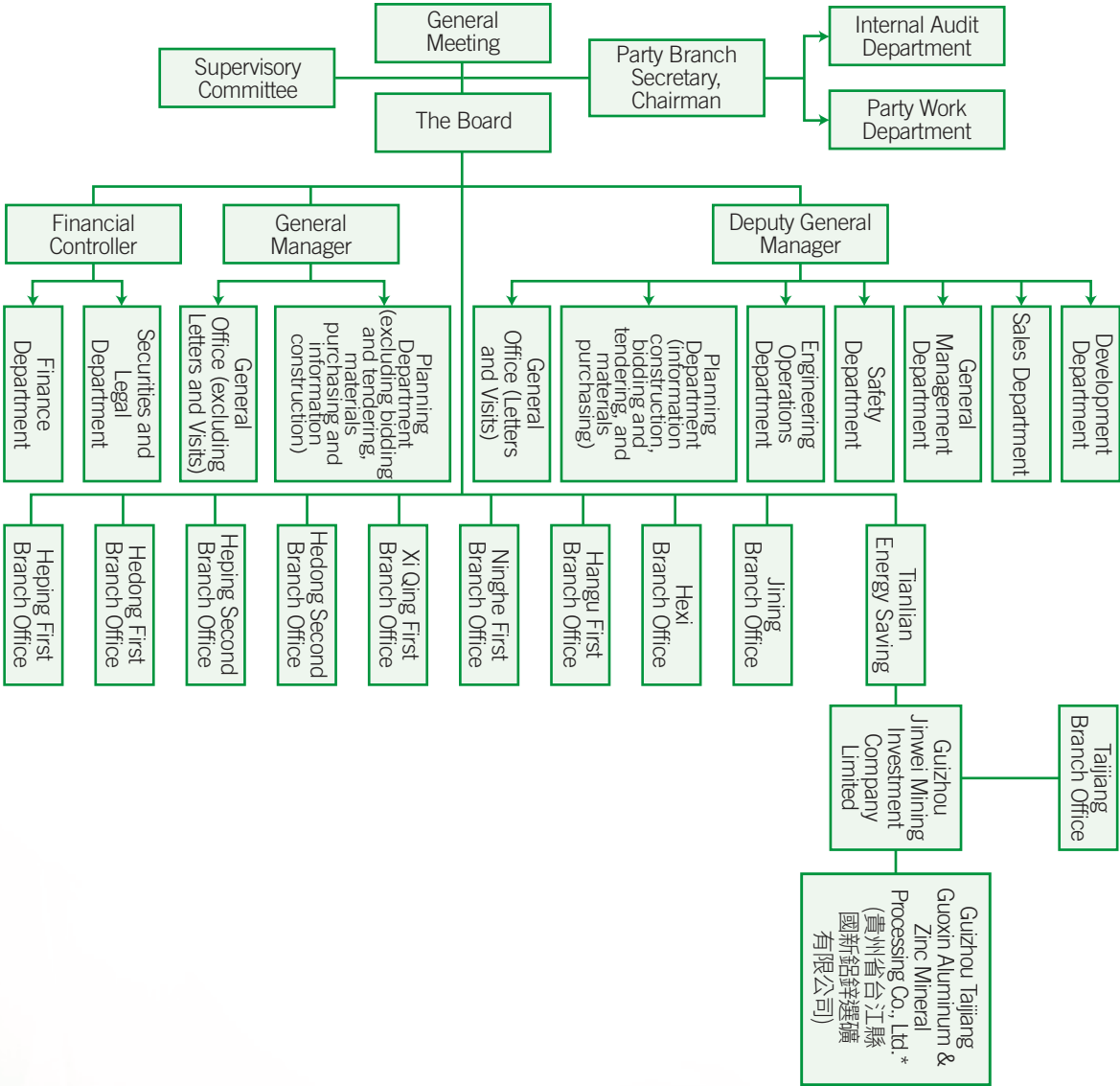
The PRC, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

The year ended 31 December 2021 was a challenging year for the Group to develop its natural gas business. The Group will strive to achieve a more satisfactory result for the Group’s shareholders in 2022.

MANAGEMENT STRUCTURE

The Group’s management structure, which facilitate the Group’s constant expansion and improvement, is set out below:



* For identification purposes only

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the year of 2021, in order to mitigate the impact of COVID-19 while maintaining the sustainable development of the Group during this challenging time, the Board and the management have striven to, on one hand, develop new markets in light of the decrease in existing customers' consumption of natural gas by looking for new gas users switching from other energy sources, and, on the other hand, reduce the risk exposure of the Group by reviewing its existing and potential investments, enhancing internal control and cost management, as well as taking the initiative to optimise the Group's business development, daily operations and compliance matters.

Principal Risks and Uncertainties

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

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

In particular to the risks and uncertainties created by COVID-19, the Group recognised the instability in the global economy and financial markets, which might impact exchange rates and the value of financial assets of the Group. Having considered that it might not be prudent to subscribe financial products in light of the potential impact brought by COVID-19 might be material, the Group did not subscribed financial products in the year 2021. The Group may resume the subscription of financial products in the year 2022 should it determine that the risks and uncertainties created by COVID-19 are well received by the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Relationships

(i) Employees

Human resources are one of the Group's greatest assets. The Group highly emphasizes the employees' personal development, and endeavours to continue to be an attractive employer.

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

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

(ii) Suppliers

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

(iii) Customers

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

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Policies

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

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

Compliance with Laws and Regulations

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

Strategy and Future Business Developments

In 2022, the Board will strive to bring vitality and innovation to the Company by deepening the promotion of value thinking way and efficiency-oriented concept, as well as enhancing corporate governance in compliance with law so as to take the Company's operation to a new level.

The Board will continue to focus on its principal business, and actively develop its piped gas business through consolidating its existing market. The Group will also actively resolve issues relating to sources of its gas supply and endeavors to reduce costs. At the same time the Group continues to build and implement a system of integrity, transparency and compliance, strengthening investors' confidence, safeguarding shareholders' return, improving the environmental, social and governance management of the Group, focusing on good communication with shareholders and investors, and nurturing the corporate culture of strict code of conduct.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Please also refer to the paragraph headed “Prospects” below.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate ESG report for 2021 will be published on the websites of the Company and the Stock Exchange in due course in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group recorded a revenue of approximately RMB1,579,770,000 (For the year ended 31 December 2020 (the “Previous Year”): approximately RMB1,344,636,000), representing an increase of approximately 17.5% from the Previous Year. The gross profit margin increased from a loss of approximately 1.60% for the Previous Year to a profit of approximately 0.54% for the Year. The profit before tax from continuing operations for the Year amounted to approximately RMB3,027,000 (Previous Year: loss before tax from continuing operations of approximately RMB17,831,000).

The improvement in financial performance of the Group was mainly attributed to (i) an increase in the Group’s gross profit from sales of natural gas in light of an increase in selling price of natural gas to end users during the heating season of 2021/2022, comparing to the selling price of the prior heating season, and an increase in sales volume of natural gas in the Year comparing to that of the Previous Year; and (ii) an improved plan in using idle funds in the Year. Through entering into of deposit arrangements with various banks, the return of capital increased, resulting in an increase in interest income compared to that in the Previous Year.

SEGMENTAL INFORMATION ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group is generally funded by equity financing.

As at 31 December 2021, the Group had (i) a balance of cash and cash equivalent of approximately RMB936,590,000 which was principally denominated in RMB (Previous Year: approximately RMB499,386,000), representing an increase of approximately 88% from the Previous Year, and (ii) trade payables of approximately RMB200,485,000 (Previously Year: approximately RMB217,220,000), representing a decrease of approximately 8% from Previous Year. The Group had no bank borrowings as at 31 December 2021.

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

The Group's gearing ratio (total liabilities to total asset ratio) as at 31 December 2021 was approximately 0.29 (as at 31 December 2020: approximately 0.29).

SIGNIFICANT INVESTMENTS

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

The Group did not have any significant investments for the Year.

MATERIAL ACQUISITION AND DISPOSAL

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

CHARGES ON THE GROUP'S ASSETS

There was no charges on the Group's assets as at 31 December 2021 (31 December 2020: Nil).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities or guarantees (31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

STAFF AND EMOLUMENT POLICY

As at 31 December 2021, the Group had a workforce of 738 full-time employees (31 December 2020: 751). The total employee costs were approximately RMB136,130,000 (Previous Year: approximately RMB116,781,000).

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

The employees employed by the Group are members of the state-managed defined contribution plan operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the defined contribution plan to fund the contributions. The only obligation of the Group with respect to the defined contribution plan is to make the required contributions under the plan. For the years ended 31 December 2020 and 2021, there were no forfeited contributions under the defined contribution plan which may be used by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

PROSPECTS

In line with and benefit from China's Vision 2035 (2035年遠景目標) envisaging that the carbon emission of China will be stabilized and decreased, implying a trend of using relatively cleaner energy source, and China's 14th Five-Year Plan, aiming to in the next five year enhance the reserves and productivity (增儲上產) of oil and natural gas and at the same time speed up the construction of natural gas pipeline, perfecting the grid network for oil and natural gas, the Group expects that the PRC natural gas sector and natural gas consumption will experience a persistent growth. The Group may be particularly benefited from such growth as it is also emphasized in the 14th Five-Year Plan that Beijing, Tianjin, and Hebei shall jointly prevent and control (京津冀協同防控) air pollution, and that northern China shall be promoted to use cleaner energy for heating purpose. Together with policy documents such as the Plan of Action for the Prevention of Air Pollution (《大氣污染防治行動計劃》), Detailed Rules for Implementation of the Action Plans for the Prevention and Control of Air Pollution in the Beijing-Tianjin-Hebei Region and the Surrounding Regions (《京津冀及周邊地區落實大氣污染防治行動計劃實施細則》), and the Plan for Strengthening the Prevention and Control of Atmospheric Pollution in Energy Industry (《能源行業加強大氣污染防治工作方案》), the Group remains optimistic about the PRC gas sector as a whole and that natural gas will remain as a preferred energy source in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

It is also prospected that natural gas will become the main fuel of urban residents. In respect of the transportation area, natural gas will become the main fuel for most taxis in middle or small-scale cities and bus in large and medium-scale cities will also gradually become clean gas-fueled. Liquefied natural gas (LNG) vehicles will further expand to intercity coaches and heavy trucks, and the application of LNG to ships and trains will begin. Natural gas will become a competitive fuel in public transportation. In respect of the industrial field, the progress of substituting natural gas as industrial fuel will be fully accelerated, especially in Bohai Bay Rim area, where coal-burning boilers will be substituted, and traditional industries, such as iron, steel and ceramics etc, will be upgraded so as to manage air pollution, and central and western regions where the industrial structure of traditional industries will be transferred to. As such, the natural gas consumption in industrial field will be promoted. In respect of natural gas power generation, natural gas peak power stations will be orderly developed and natural gas distributed energy development will be the priority in air pollution control districts such as Beijing, Tianjin, Hebei and Shandong, Yangtze River delta and the Pearl River delta.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the Company will (i) focus on tackling the issue of gas source by taking multiple measures to explore new sources; (ii) prioritize market expansion and develop new customers, further explore potential large users by identifying users' needs in the current market share, thereby defending the established markets; (iii) improve internal management and reduce administrative expenses; (iv) promote value-added services and strive to create new momentum for corporate growth; and (v) consider the resumption of the purchase of wealth management products or explore new financial products, when appropriate, to enhance its capital yield.

SIGNIFICANT EVENTS

Internal Restructuring of the Controlling Shareholders

Pursuant to the joint venture agreement and the supplemental agreement dated 2 November 2011 (the "Joint Venture Restructuring Agreement") entered into between 天津市燃氣集團有限公司 (Tianjin Gas Group Company Limited*) (a controlling shareholder of the Company, "Tianjin Gas") and China Resources Gas (Hong Kong) Investment Limited (a wholly-owned subsidiary of China Resources Gas Group Limited (the shares of which are listed on The Stock Exchange of Hong Kong Limited) ("China Resources Gas (HK)"), Tianjin Gas and China Resources Gas (HK) agreed to set up 津燃華潤燃氣有限公司 (Jinran China Resources Gas Co., Ltd.*) ("Jinran China Resources") (owned as to 51% and 49% by Tianjin Gas and China Resources Gas (HK), respectively) and Tianjin Gas agreed to contribute by way of injection of all its natural gas-related business (including the domestic shares of the Company held by Tianjin Gas (the "Target Shares")) and China Resources Gas (HK) will contribute by way of cash.

Up to the date of this report, Tianjin Gas and Jinran China Resources have entered into an agreement of intent to transfer the Target Shares to set out the next steps and procedures involved in the transfer of the Target Shares. The parties will execute a formal transfer agreement when the time is ripe.

Subject to the entering into of such formal transfer agreement and the conditions precedent thereunder being fulfilled or waived (as the case may be), Jinran China Resources (or its wholly-owned subsidiaries) and parties acting in concert with it will hold approximately 70.54% of the issued share capital of the Company. The Securities and Futures Commission of Hong Kong has granted Jinran China Resources a waiver from the obligation for mandatory unconditional cash offer pursuant to Note 6 to Rule 26.1 of the Code on Takeovers and Merger.

For further details, please refer to the announcements of the Company dated 8 January 2021, 8 February 2021, 8 March 2021, 9 April 2021, 7 May 2021, 8 June 2021, 24 June 2021 and 3 January 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Amendments to the Articles of Association

Amendments have been made to the Articles during the Year according to the Company Law of the PRC, the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), Reply of the State Council on Adjusting the Provisions to Matters Including the Notice Period for Convention of General Meetings Applicable to Overseas Listed Companies (No. 97 [2019] of the State Council) and other relevant laws and regulations and regulatory provisions, and with reference to the actual condition, and to update the scope of business of the Company.

For further details, please refer to the circulars of the Company dated 30 April 2021 and 7 October 2021, respectively.

Change of Directors, Supervisors and Financial Controller

At the past annual general meeting of the Company, Ms. Hou Yuling was elected as a new non-executive Director, and Mr. Sun Guoqing was elected as a new supervisor of the Company. Ms. Zhang Tingting was elected as a new supervisor at the staff representatives' meeting during the Year. During the Year, Mr. Zhang Jinlin retired as a non-executive Director, and each of Mr. Yang Hu Ling and Ms. Hao Li ceased to be a supervisor of the Company.

Ms. Du Bing has been appointed as the new financial controller of the Company during the Year.

Change of Principal Place of Business in Hong Kong

With effect from 8 March 2021, the Company's principal place of business in Hong Kong has been changed to 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

IMPORTANT EVENT(S) AFTER REPORTING PERIOD

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

Please refer to the section headed "Significant Events – Internal Restructuring of the Controlling Shareholders" above regarding the update on the possible transfer of the Target Shares after the Reporting Period.

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

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

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

Executive Directors

Mr. Zhao Wei (趙維), aged 58, is the Chairman of the Board and an executive Director. He graduated from the Industrial Management Engineering Department (工業管理工程系) of Tianjin University of Technology* (天津理工大學) (formerly known as Tianjin Institute of Technology* (天津理工學院)) majoring in engineering management in 1986, and graduated from Party School of the Central Committee of the Communist Party of China (“CPC”) (中共中央黨校) as an on-the-job graduate in legal theory in 2009. He is also a senior political officer and senior economist. From 1986 to 2008, Mr. Zhao held various positions at Tianjin Gas Corporation* (天津市煤氣總公司), Division of the Urban and Rural Planning and Construction and Transportation Committee of the Tianjin Committee of the CPC* (天津市委城建工委幹部處), and Tianjin Pipeline Engineering Group (天津市管道工程集團). In 2008, he joined Tianjin Gas (the controlling shareholder of the Company) as the secretary of the disciplinary committee, and later served as deputy Party secretary and the secretary of the disciplinary committee in Tianjin Gas from May 2011 to 2013. He served as the deputy Party secretary and the secretary of the disciplinary committee in Jinran China Resources (a subsidiary of Tianjin Gas) from February 2013 to February 2015, and served as the deputy chief trainer and managing vice president of the Party School of the Group in 天津能源投資集團有限公司 (Tianjin Energy Investment Company Limited*) (“Tianjin Energy”) (the intermediary holding company of Tianjin Gas) from February 2015 to February 2017. Mr. Zhao has been the Party secretary and Chairman of Tianjin Binhai Gas Group Company Limited (天津濱海燃氣集團有限公司) (“Binhai Gas Group”) (a subsidiary of Tianjin Gas) since 2017. He was appointed as the executive Director on 26 June 2018 and is also the chairman of the Nomination Committee of the Company.

Ms. Tang Jie (唐潔), aged 54, is an executive Director. She graduated from the Tianjin Institute of Finance (天津財經學院) (now known as the Tianjin University of Finance and Economics (天津財經大學)), majoring in accounting, in 1991. She is one of the promoters of the Company and had been working for the Company as an accountant and deputy general manager in the account department since December 1998. She was appointed as a deputy general manager of the Company in 2001. She was appointed as an executive Director on 28 December 2001 and is responsible for making material decisions of the Company.

Mr. Sun Liangchuan (孫良傳), aged 47, is an executive Director. He joined Binhai Gas Group in August 2012 and has undertaken various positions. Among others, he served as the deputy chief engineer and minister of planning and construction from August 2012 to November 2015, as the assistant to the general manager from November 2015 to April 2018, and has been appointed as the deputy general manager since April 2018. He obtained a bachelor’s degree of Urban Gas Engineering from Tianjin Chengjian University (天津城建大學, formerly known as Tianjin Institute of Urban Construction 天津城市建設學院) in July 1996. He has been conferred the qualification of senior engineer by the Engineering Technology and Civil Engineering Professional Evaluation Committee of the Tianjin Municipal Personnel Bureau (天津市人事局工程技術土建專業審評委) since December 2007. He was appointed as the general manager of the Company on 22 May 2020, and was appointed as an executive Director and authorised representative of the Company under the Listing Rules on 29 June 2020.

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Hou Shuang Jiang (侯雙江), aged 53, is a non-executive Director. He was awarded with a bachelor's degree in chemical engineering from Tianjin University of Technology* (天津理工大學) (formerly known as Tianjin Institute of Technology* (天津理工學院)) in July 1991. Mr. Hou has accumulated more than 19 years of experience in the finance and capital markets sector. Prior to joining the Company, Mr. Hou worked as an officer in 中鋼集團天津地質研究院 (Sinosteel Tianjin Geological Academy*, formerly known as 冶金部天津地質調查所 (Ministry of Metallurgical Industry Tianjin Geological Academy*)) from July 1991 to April 1996, the deputy manager of the sales department of 天津匯金期貨經紀公司 (Tianjin Huijin Futures Brokerage Company*) in Zhengzhou from April 1996 to December 1999. From December 1999 to May 2000, Mr. Hou acted as an investment consultant of Yingda Securities Co., Ltd.* (英大證券有限責任公司). He was an investment consultant of Bohai Securities Co., Ltd.* (渤海證券股份有限公司) from May 2000 to January 2013. From January 2013 to November 2013, Mr. Hou was the manager of the capital operation department of Tianjin Energy. Mr. Hou has been the manager of the capital operation department of Tianjin Energy, the intermediary holding company of Tianjin Gas since November 2013. He is a director of 津燃貿易諮詢有限公司 (Jinran Trading Consultancy Company Limited*), a wholly-owned subsidiary of Tianjin Gas, as well as a director and/or supervisor of one or more subsidiaries of Tianjin Energy. He also served as a director of 天津津能股份有限公司 (Tianjin Jinneng Co., Ltd.*) since June 2017, an executive director of 津能國際有限公司 (Jinneng International Co., Ltd.*) since August 2017, the chairman of 天津津能融資租賃有限公司 (Tianjin Jinneng Finance Leasing Co., Ltd.*) since August 2017, a director of 渤海產業投資基金管理公司 (Bohai Industrial Investment Fund Management Co., Ltd.*) since June 2019 and a director of 天津能源集團財務有限公司 (Tianjin Energy Group Finance Co., Ltd.*) since May 2019. He was appointed as an executive Director on 3 March 2014 and was redesignated as the non-executive Director on 26 June 2018. He is also a member of the Remuneration Committee.

Mr. Zhao Heng Hai (趙恒海), aged 53, is a non-executive Director. He graduated from the School of Architecture of Tianjin University (now known as Tianjin Chengjian University (天津城建大學)), majoring in urban gas and heat energy engineering in 1990 and is a senior engineer. From 1990 to 2002, Mr. Zhao held various positions at Tianjin Gas Corporation and Tianjin Natural Gas Company (天津市天然氣公司). From December 2002 to February 2013, Mr. Zhao was the deputy director and director of Business Management Department (營業管理部) of Tianjin Gas, and was the director of the Business Management Department and the director of Anti-piracy Office (打盜辦) of Jinran China Resources (a subsidiary of Tianjin Gas) from February 2013 to February 2015. He has been the deputy manager of Gas Industry Department (燃氣產業部) of Tianjin Energy since February 2015, the manager of Gas Industry Department of Tianjin Energy since 18 March 2021 and the chairman of Jinran China Resources Gas Co., Ltd.* since 24 December 2021. He was appointed as the non-executive Director on 26 June 2018.

Ms. Hou Yuling (侯玉玲), aged 38, is a non-executive Director. She graduated with a bachelor's degree of engineering from the Yantai University (煙台大學) in PRC in July 2004. She received a master's degree in management from the North China Electric Power University (華北電力大學) in PRC in April 2007. She was qualified as a Senior Economist (Business Administration) (高級經濟師 (工商管理)) by the Tianjin Municipal Human Resources and Social Security Bureau (天津市人力資源和社會保障局) in December 2020, and Office of Professional Title in Tianjin (天津市職稱工作辦公室) approved her qualification in Business Administration (Medium level) in November 2015. Ms. Hou has been a deputy manager of the asset management department of Tianjin Energy since December 2019. Previously, she was engaged as a manager assistant of the heating industry department of Tianjin Energy in February 2017, and as a deputy manager of heating industry department of Tianjin Energy in April 2018. Ms. Hou was engaged by Tianjin Heat and Electric Company (天津市熱電公司) as an officer assistant of its planning and development department in December 2008, and was engaged as a deputy officer of the planning and development department (settlement center) in October 2009. She was appointed as a non-executive Director on 25 June 2021.

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Zhang Ying Hua (張英華), aged 72, is an independent non-executive Director. Mr. Zhang graduated from Tianjin University of Finance and Economics (天津財經大學) (“TUFÉ”), majoring in the industrial management, in 1977. He obtained a master degree of Business Administration from the Oklahoma City University in 2001. He had been the deputy dean of the Faculty of Business, the head secretary general of the Communist Party of the Department of Corporate Management of TUFÉ from 2004 to 2007, and was the dean of the Faculty of Business of TUFÉ from 2007 and until 2010. Since then, Mr. Zhang has been a professor and doctoral advisor of the Department of Corporate Management of the Faculty of Business of TUFÉ, the dean of the Management Faculty and head of the management department of Zhujiang Management College* (珠江學院) of TUFÉ. He was awarded special subsidy by the State Council in 2009 to reward his contribution to the development of the study of society sciences to the PRC. He was appointed as the independent non-executive Director on 16 June 2015. He is also a member of each of the Audit Committee and Nomination Committee of the Company, and the chairman of the Remuneration Committee of the Company.

Mr. Yu Jian Jun (玉建軍), aged 58, is an independent non-executive Director. Mr. Yu graduated from the School of Architecture of Tianjin University* (now known as Tianjin Chengjian University (天津城建大學)), majoring in gas engineering, in 1986. Mr. Yu is a professor and master advisor. He currently serves as a deputy head of the Department of Environment and Equipment, Faculty of Energy and Safety Engineering, Tianjin Chengjian University*. He is a member of the China City Gas Society* (中國城市燃氣學會) and a member of its Technology Committee. Mr. Yu is the deputy head of the City Construction Committee of Tianjin Democratic Construction Association* (天津民主建國會城建委員會), and an expert appointed by the Planning Office of Tianjin City* (天津市建設管理委員會). He was appointed as the independent non-executive Director on 16 June 2015. He is also a member of each of the Audit Committee and the Nomination Committee of the Company.

Mr. Guo Jia Li (郭家利), aged 64, is an independent non-executive Director. Mr. Guo graduated from TUFÉ, majoring in Accounting, in August 1984. Mr. Guo was the project manager of Tianjin Accounting Firm* (天津會計師事務所) from September 1984 to May 1995 and was the project manager of Tianjin Binhai Accounting Firm* (天津濱海會計師事務所) from May 1995 to May 1996. He was the deputy chief accountant of Tianjin Jiwei Accounting Firm* (天津吉威會計師事務所) from May 1996 to March 1997 and the chief accountant of Tianjin Licheng Accounting Firm* (天津利成會計師事務所) from March 1997 to January 2001. He served as chief accountant of the Tianjin branch of RSM Nelson Wheeler* (中瑞岳華會計師事務所) from January 2001 to November 2011. From November 2011 to October 2020, Mr. Guo was a partner of Tianjin branch of Shinewing Certified Public Accountants* (信永中和會計師事務所) (Special Ordinary Partnership). He has retired from the partnership and ceased to be the partner since October 2020. He was appointed as the independent non-executive Director on 16 June 2015. He is also the chairman of the Audit Committee of the Company, and a member of the Remuneration Committee of the Company.

* For identification purposes only

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

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

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

Shareholders’ Representative Supervisor

Mr. Sun Guoqing (孫國慶), aged 51, is a Shareholders’ representative Supervisor. Mr. Sun graduated with a bachelor’s degree in economics from Changchun Taxation College (長春稅務學院, now Jilin University of Finance and Economics (吉林財經大學)) (“Changchun Taxation College”) in the PRC, in July 1995. He received a master’s degree in economics from Changchun Taxation College in June 2002. He was qualified as Senior Auditor awarded by the Committees for Appraisal and Election of Senior Auditors of the National Audit Office, the PRC (中華人民共和國審計署高級審計師評審委員會) in December 2007. Mr. Sun has been appointed as the manager of the audit department of Tianjin Energy in March 2021. He was appointed as a deputy manager of the audit and supervision department of Tianjin Energy in April 2014. He was engaged as a deputy manager of the audit department of Tianjin Energy in February 2017, and as a deputy manager (in charge) of the audit department of Tianjin Energy in December 2018. Mr. Sun previously worked in the Changchun Special Office of the National Audit Office (審計署長春特派辦), the PRC. He was appointed as a Shareholders’ representative Supervisor on 25 June 2021.

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DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Supervisors

Ms. Xu Hui (許暉), aged 55, is an independent Supervisor. Ms. Xu has obtained a doctoral degree in Management in Nankai University in June 2002 and is a professor and postdoctoral fellow in the Project Management Postdoctoral Research Workshop* (管理工程博士後研究工作站) of Tianjin University. From January 1997, Ms. Xu has been teaching in the Department of Marketing, Faculty of Business, Nankai University. She is a member of the China Association of International Trade* (中國國際貿易學會) and the Tianjin Association of International Trade* (天津市國際貿易學會). She was appointed as an independent Supervisor on 16 June 2015.

Mr. Liu Zhi Yuan (劉志遠), aged 58, is an independent Supervisor. Mr. Liu graduated from Qinghai Normal University* (青海師範大學) (formerly known as of Qinghai Normal College* (青海師範學院)), majoring in physics, in 1982. He obtained master and doctorate degree in Business Administration from Nankai University* (南開大學) in 1987 and 1994 respectively. Since June 1987, Mr. Liu has been working in the Faculty of Business, Nankai University and he was a deputy dean of the Faculty from 1997 to 2005. He currently serves as an independent director of Shanxi Huayang Group New Energy Co., Ltd.* (山西華陽集團新能股份有限公司) (SH Stock Code: 600348) whose shares are listed on the Shanghai Stock Exchange (the "SSE"). Mr. Liu also currently serves as an independent director of Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司) (SZ Stock Code: 000897), and Henan Carve Electronics Technology Co., Ltd.* (河南凱旺電子科技股份有限公司) (SZ Stock Code: 301182) whose shares are listed on the Shenzhen Stock Exchange (the "SZSE"). Previously, Mr. Liu served as an independent executive director of Shanghai Fudan Forward Science & Technology Company Limited* (上海復旦復華科技股份有限公司) (SH Stock Code: 600624) from 30 June 2009 to 27 October 2015; an independent director of Luxshare Precision Industry Co., Ltd.* (立訊精密工業股份有限公司) (SZ Stock Code: 002475) from 22 February 2009 to 17 April 2015; and was an independent director of Tianjin Motor Dies Co., Ltd.* (天津汽車模具股份有限公司) (SZ Stock Code: 002510), an independent non-executive director of Zhejiang China Commodities City Group Co., Ltd.* (浙江中國小商品城集團股份有限公司) (SH Stock Code: 600415) and an independent director of Tianjin Realty Development (Group) Co., Ltd.* (天津市房地產發展(集團)股份有限公司) (SH Stock Code: 600322). He was appointed as an independent Supervisor on 22 June 2016.

Staff Representative Supervisors

Ms. You Hui Yan (游惠燕), aged 39, is a staff representative Supervisor. She graduated from Hebei University of Technology majoring in communications engineering in 2006 and obtained a master's degree in accounting from Nankai University in 2015. Since 2006, she has worked for Tianjin Jinneng Battery Technology Co., Ltd.* (天津市津能電池科技有限公司) and Tianjin Liquefied Natural Gas Co., Ltd. (天津液化天然氣有限責任公司). Ms. You has been working in the Internal Audit Department of the Company since May 2017. She was appointed as a Supervisor on 26 June 2018.

Ms. Zhang Tingting (張婷婷), aged 31, is a staff representative Supervisor. She graduated with a bachelor's degree in laws in Nankai University (南開大學), the PRC in June 2013. She received a master's degree in laws from Nankai University (南開大學), the PRC in June 2016. She received the certificate of legal professional qualification issued by the Ministry of Justice, the PRC (中華人民共和國司法部) in August 2013, and was qualified as a corporate lawyer by the Ministry of Justice, the PRC (中華人民共和國司法部) in November 2017. Ms. Zhang has been the deputy department head (in charge) of the securities and legal department of the Company since September 2020. She joined the securities and legal department of the Company in July 2016 and was the temporary responsible person of such department from December 2018 to September 2020. She was appointed as a Supervisor on 25 June 2021.

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DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Lau Kwok Yin (劉國賢), aged 36, is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He has over 10 years' experience in corporate secretarial services, finance and banking operations. He holds a Bachelor of Business Administration degree in Accounting and Finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst charterholder, and a fellow of the Chartered Governance Institute and the Hong Kong Chartered Governance Institute. He was appointed as the company secretary of the Company on 24 May 2018.

SENIOR MANAGEMENT

Mr. Liu Xing Hua (劉興華), aged 38, has been a deputy general manager of the Company since 19 April 2018. He graduated from Tianjin University of Science and Technology in 2006, majoring in industrial design and international economics and trade. From October 2008 to November 2015, Mr. Liu had acted as the deputy secretary and deputy manager of the CPC branch in Binhai Gas Group (a subsidiary of Tianjin Gas) and one of its subsidiaries. Since November 2015, he has served as the assistant to general Manager in Binhai Gas Group.

Ms. Sha Cai Ping (沙彩萍), aged 46, has been a deputy general manager of the Company since 15 February 2019. She joined Tianjin City Tanggu Gas Co., Limited* (天津市塘沽燃氣有限公司, formerly known as Tianjin City Tanggu Gas Corporation* 天津市塘沽煤氣公司) in 1997 and has undertaken various positions. Among other things, she served as the chairman of the labour union and the assistant to manager from October 2007 to February 2012, and has been appointed as the deputy manager since February 2012. Ms. Sha graduated from the Tianjin Chengjian University (天津城建大學, formerly known as Tianjin Institute of Urban Construction 天津城市建設學院) with a bachelor of engineering degree in July 1997. From September 2005 to July 2008, Ms. Sha attended the graduate school of the Party School of the Central Committee of C.P.C* (中共中央黨校) and specialised in economics law.

Ms. Du Bing (杜冰), aged 37, is the financial controller of the Company since 15 September 2021. She graduated from Tianjin University of Finance and Economics (天津財經大學) in 2009, majoring in accounting. From October 2009 to July 2011, Ms. Du was an auditor at the audit department of the Tianjin branch of Deloitte Touche Tohmatsu Certified Public Accountants Limited. From July 2011 to September 2012, she was a Finance Manager of the Finance Department of Tianjin TEDA International Hotel Group Company Limited* (天津泰達國際酒店集團有限公司). From September 2012 to December 2014, she served as a Fixed Assets Specialist of the Finance Department of Tianjin Jinan Thermal Power Company Limited* (天津市津安熱電有限公司). From December 2014 to May 2015, she was an employee of the Heating Integration Working Group of Tianjin Energy. Subsequently from May 2015 to March 2017, Ms. Du was an employee of the Finance Department of Tianjin Energy. From March 2017 to November 2017, Ms. Du served as an Assistant Director of the Accounting Service Centre of Tianjin Energy. Subsequently from November 2017 to September 2020, she presided over work as a Deputy Director of the Internal Audit and Auditing Department of Tianjin Energy Group Finance Company Limited* (天津能源集團財務有限公司, "Tianjin Energy Finance"). From September 2020 to July 2021, she served as the Manager of the Planning and Finance Department of Tianjin Energy Finance. Since July 2021, she has been serving as the Chief Accountant of the Leadership Team at Tianjin Chengnan Thermal Power Company Limited* (天津市城安熱電有限公司).

Please also refer to Directors' Report and the Corporate Governance Report, including the paragraphs headed "Directors', Chief Executive's and Supervisors Interests in Securities", and "Directors' and Supervisors' Service Contracts" in the Directors' Report for further information with respect to the Directors and Supervisors.

* For identification purposes only

CORPORATE GOVERNANCE REPORT

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of Shareholders and the public. The Board strives to adhere to the principles of corporate governance of the Corporate Governance Code (the “Code”) in Appendix 14 to the Listing Rules, and adopt sound corporate governance practices based on the Company’s individuality to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all Shareholders. The Company’s corporate governance practices are based on the code provisions as set out in the Code.

The Company has complied with all applicable code provisions set out in the Code in force during the Year.

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

The Board

Roles of Directors

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

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

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

CORPORATE GOVERNANCE REPORT

The Board has delegated the day-to-day management responsibility to the management staff under the instruction/supervision of the general manager of the Company and various Board committees. All Board members have separate and independent access to the Company's management to fulfill their duties, and upon reasonable request, to seek independent professional advice under appropriate circumstances and at the Company's expenses. 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), approval of financial results and budget, setting dividend policy, matters relating to the Company's share capital, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to day-to-day operation, implementing decisions of the Board, are delegated to the management. The management reports to, and is accountable to, the Board.

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

Board of Directors

Composition of the Board

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

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

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

Save as disclosed in this annual report, including in the section headed "Directors, Supervisors and Senior Management" and the paragraph headed "Competing Interests" in the Directors' Report, no Directors (including the Chairman), Supervisors and senior management have any financial, business, family or other material/relevant relations among one another.

CORPORATE GOVERNANCE REPORT

Each of the non-executive Directors (including the independent non-executive Directors) has entered into a letter of appointment with the Company for a term of three years commencing from 25 June 2021. Please also refer to the paragraph headed “Directors’ and Supervisors’ Service Contracts” in the section headed “Directors’ Report” in this annual report for further details.

Chairman and Chief Executive Officer

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

Appointment, re-election and removal of Directors

The Company has established the Nomination Committee, who from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board.

The Board has adopted its board diversity policy (the “Board Diversity Policy”). Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

The Board comprises nine Directors, with three executive Directors, three non-executive Directors and three independent non-executive Directors. Following the appointment of Ms. Hou Yuling to the Board in June 2021, and as of the date of this report, the Board comprises both male and female (two out of nine), providing the Board with a direct and diversified channel of the opinion of both genders. The Directors believe that the composition of the Board reflects a balance of skills, experience and expertise appropriate for the requirements of the Company’s business development and for effective leadership. All the executive Directors possess extensive experience in the Company’s industry while the non-executive Directors (including independent non-executive Directors) possess professional knowledge and broad experience in diversified areas including the energy industry, business management and investment, finance and accounting, and cover different age group. The Directors are of the opinion that Board diversity (including gender diversity) has been achieved, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances.

The Board will continue to maintain Board diversity (including gender diversity), and maintain at least one female representation to ensure the opinions from different gender are well represented. If the Board determines that an additional or replacement Director is required, the Company will deploy multiple channels for identifying suitable director candidates, including without limitation, referral from Directors, shareholders, management, advisors of the Company, with regarding to the range of diversity perspectives set forth in the Board Diversity Policy.

CORPORATE GOVERNANCE REPORT

The Nomination Committee had reviewed the diversity of the Board during the year ended 31 December 2021 and will review the Board Diversity Policy from time to time to ensure that the policy is implemented effectively.

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

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

Nomination Process

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

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

Selection Criteria

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

Each of the executive Directors has entered into a service contract, non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company. Please also refer to the paragraph headed "Directors' and Supervisors' Service Contracts" in the section headed "Directors' Report" in this annual report for further details. All the service contracts entered into between the Company and Directors may be terminated by either party by giving at least three months' written notice.

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

CORPORATE GOVERNANCE REPORT

Board Meetings and Procedures

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

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 (which has been renumbered as code provision C.5.3 since 1 January 2022) of the Code, during the Reporting Period, at least 14 days' notice has been given for any regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and Board papers of regular Board meetings are sent to all Directors within reasonable time and at least three days prior to the meetings.

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

Regular Board meetings are held normally every three months, with additional meetings arranged, if and when required. 20 Board meetings (including 1 meeting for Chairman with independent non-executive Directors only) were held in 2021. Individual attendance records are set out below.

Board Meetings and General Meetings Attendance

	Board meetings attended during the Year	General meetings attended during the Year
Executive Directors		
Zhao Wei (<i>Chairman</i>)	20	9
Tang Jie	19	9
Sun Liangchuan	19	9
Non-executive Directors		
Hou Shuang Jiang	11	0
Zhao Heng Hai	11	2
Zhang Jinlin (Retired on 25 June 2021)	8	0
Hou Yuling (Appointed on 25 June 2021)	11	0
Independent Non-executive Directors		
Zhang Ying Hua	19	4
Yu Jian Jun	20	2
Guo Jia Li	20	1

CORPORATE GOVERNANCE REPORT

Notes: Reference to general meetings include class meeting of holders of domestic shares and class meeting of holders of H shares convened and held during the Year. A total of 9 general meetings were held during the Year.

Mr. Zhang Jinlin retired on 25 June 2021. During his tenure in the Year, 8 Board meetings and 5 general meetings were held.

Ms. Hou Yuling was appointed on 25 June 2021. During her tenure in the Year, 11 Board meetings and 4 general meetings were held.

Mr. Hou Shuang Jiang and Mr. Zhao Heng Hai abstained from 8 Board meetings relating to certain connected transactions of the Company pursuant to the Articles of Association.

Certain Directors were not able to attend the general meetings held in 2021 due to their unavoidable business engagements.

During 2021, the Board has addressed the following major issues, among other things:

1. maintaining and promoting the culture of the Company;
2. formulation of long-term strategy;
3. approving public announcements, including financial statements;
4. approving annual budgets;
5. reviewing operational and financial performance;
6. considering connected transactions proposed to be entered into;
7. reviewing the effectiveness of the Group's risk management and internal control systems;
8. passing the resolution in respect of determining the annual remuneration of the senior management; and
9. approving appointments to the Board, subject to the approval by the Shareholders.

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

CORPORATE GOVERNANCE REPORT

Directors' Duties

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

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

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 (which has been renumbered as code provision A.2.1 since 1 January 2022) of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices; (b) training and continuous professional development of Directors and senior management; (c) the Company's policies and practices on compliance with legal and regulatory requirements; (d) the Company's code of conduct; and (e) the Company's compliance with the Code disclosures requirements.

Conduct on Securities Transactions

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

The Company, having made specific enquiries to its Directors and Supervisors, confirms that, throughout the Period, all Directors and Supervisors complied with the Model Code.

Independence of Independent Non-executive Directors

The Company has received from each of the existing independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Having considered that the independent non-executive Directors continue to provide a balanced and independent view to the Board and play a vital role in the Board committees, and bring independent as well as constructive comments on the Group's strategy, policy, performance and activities, and that there are no circumstance which would materially interfere with their exercise of independent judgement, with reference to the above annual confirmations, the Company considers that all of the independent non-executive Directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Directors' Induction and Continuous Professional Development

Directors receive comprehensive, formal training upon their appointments to ensure they have a proper understanding of the businesses and development of the Group and that they are fully aware of their responsibilities under statutes, laws, rules and regulations, the Listing Rules, applicable legal and other regulatory requirements and the business and governance policies of the Company.

Directors recognise the importance to participate in continuous professional development to develop and refresh their knowledge and skills, and to ensure that their contribution to the Board remains informed and relevant. The Company also updates the Directors on the latest development regarding the current trend and issues faced by the Group, the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Year, the Directors regularly updated and refreshed their knowledge and skills through various means including but not limited to attending management briefings, trainings, seminars, giving speech or attending other professional development like reading articles, researches, journals and legal and regulatory updates provided by the Company. In addition, all Directors have been given guideline materials regarding duties, roles and functions of directors of listed companies. The Company has received confirmation from all Directors in respect of their training records for the year ended 31 December 2021. According to the records provided by the Directors, a summary of training received by the Directors during the Year is as follows:

	Attended trainings session and reading materials
<i>Executive Directors</i>	
Zhao Wei (<i>Chairman</i>)	✓
Tang Jie	✓
Sun Liangchuan	✓
<i>Non-executive Directors</i>	
Hou Shuang Jiang	✓
Zhao Heng Hai	✓
Zhang Jinlin (Retired on 25 June 2021)	✓
Hou Yuling (Appointed on 25 June 2021)	✓
<i>Independent Non-executive Directors</i>	
Zhang Ying Hua	✓
Yu Jian Jun	✓
Guo Jia Li	✓

CORPORATE GOVERNANCE REPORT

Board Committees

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

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

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

	Major roles and functions	Composition during the Year	Attendance in the Year
Audit Committee	<ul style="list-style-type: none"> To make recommendation to the Board on the appointment, reappointment and removal of external auditor 	Guo Jia Li (<i>Chairman</i>) (<i>independent non-executive Director</i>)	100%
		Zhang Ying Hua (<i>independent non-executive Director</i>)	100%
	<ul style="list-style-type: none"> To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards 	Yu Jian Jun (<i>independent non-executive Director</i>)	100%
	<ul style="list-style-type: none"> To develop and implement policy on the engagement of an external auditor to supply non-audit services and monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and significant financial reporting judgments contained in them 		
	<ul style="list-style-type: none"> To oversee the Company's financial reporting system, risk management and internal control systems 		
	<ul style="list-style-type: none"> To review the Company's financial results (including its annual and interim results) 		

Total number of meetings held in 2021: 2

CORPORATE GOVERNANCE REPORT

	Major roles and functions	Composition during the Year	Attendance in the Year
Remuneration Committee	<ul style="list-style-type: none"> To consult the chairman of the Board about their remuneration proposals for other executive Directors 	Zhang Ying Hua <i>(Chairman)</i> <i>(independent non-executive Director)</i>	100%
	<ul style="list-style-type: none"> To make recommendation to the Board on the Company's remuneration policy and structure for all Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy 	Guo Jia Li <i>(independent non-executive Director)</i>	100%
	<ul style="list-style-type: none"> To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives 	Hou Shuang Jiang <i>(non-executive Director)</i>	100%
	<ul style="list-style-type: none"> To determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management (model E.1.2(c)(i) under the Code) 		
	<ul style="list-style-type: none"> To make recommendations to the Board on the remuneration of non-executive Directors 		

CORPORATE GOVERNANCE REPORT

Major roles and functions	Composition during the Year	Attendance in the Year
<ul style="list-style-type: none"> • To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group • To review and approve the compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive • To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate • To ensure that no Director or any of his/ her associates (as defined in the Listing Rules) is involved in deciding his/ her own remuneration 		

Total number of meetings held in 2021: 4

CORPORATE GOVERNANCE REPORT

	Major roles and functions	Composition during the Year	Attendance in the Year
Nomination Committee	<ul style="list-style-type: none"> To review the structure, size, composition (including the skills, knowledge and experience) and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board on a regular basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy To identify individuals suitably qualified to become Board member and assess the independence of independent non-executive Directors To make recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors To review the Board Diversity Policy and any measurable objectives for implementing the Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives, and to make disclosure of its review results in the annual report of the Company annually 	Zhao Wei (<i>Chairman</i>) (<i>executive Director</i>)	100%
		Zhang Ying Hua (<i>independent non-executive Director</i>)	100%
		Yu Jian Jun (<i>independent non-executive Director</i>)	100%

Total number of meetings held in 2021: 2

CORPORATE GOVERNANCE REPORT

Audit Committee

During 2021, the Audit Committee met 2 times and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2020 and interim financial results and report for the six months ended 30 June 2021;
2. reviewed the continuing connected transactions of the Company;
3. reviewed the internal audit department's report regarding the reviewing and procedures of the internal control and risk management of the Company and reviewed the effectiveness of the Group's internal audit function;
4. reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process;
5. considered and discussed the resignation and appointment of external auditors and made recommendations thereon to the Board and the terms of engagement of the external auditors, and
6. reviewed the terms of reference of the committee and whistleblowing policy of the Company.

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

Remuneration Committee

During 2021, the Remuneration Committee met 4 times and performed the major works as below:

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

CORPORATE GOVERNANCE REPORT

Nomination Committee

During 2021, the Nomination Committee met 2 times and performed the major works as below:

1. examined the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, and the implementation and objectives of the Board Diversity Policy, made recommendations on any proposed appointment and re-election to the Board to ensure the Directors have the expertise, skills and experience required to meet the Company's business strategy and visions;
2. made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and
3. assessed the independence of all independent non-executive Directors.

Remuneration of Directors and Senior Management

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

The remuneration package (such as directors' fee, performance base bonus, benefits and pension etc., if any) of individual executive Directors and senior management of the Company is determined by the Remuneration Committee. The Remuneration Committee also make recommendation to the Board on the remuneration of non-executive Directors, including independent non-executive Directors. Directors' remuneration is determined based on a variety of factors such as PRC market conditions, the market remuneration standard and actual circumstances of the Company, his/her respective qualifications and experience, and responsibilities assumed. For the year ended 31 December 2021, save as Ms. Tang Jie, Mr. Guo Jia Li, Mr. Yu Jian Jun and Mr. Zhang Ying Hua, all Directors waived their directors' remuneration fee.

Details of remuneration paid to members of senior management of the Company during the Year (including 1 executive Director, namely, Mr. Sun Liangchuan) by band are as follows:

	Number of Individuals
RMB100,000 to RMB500,000	4

CORPORATE GOVERNANCE REPORT

Company Secretary

Mr. Lau Kwok Yin, an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited has been appointed as the company secretary of the Company (the “Company Secretary”) on 24 May 2018. He has taken no less than 15 hours of relevant professional training during the Year in compliance with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The primary contact person of Mr. Lau Kwok Yin at the Company is Ms. Zhang Tingting, a Supervisor, and the deputy department head (in charge) of the securities and legal department of the Company.

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

Accountability and Audit

Financial Reporting

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

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

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

CORPORATE GOVERNANCE REPORT

A statement by the auditors about their reporting responsibilities is included in the Auditor's Report on pages 70 to 75. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Risk Management and Internal Controls

The Board, through the Audit Committee, has reviewed the effectiveness of the Company's system of risk management and internal controls over financial, operational and compliance issues for the year 2021. The Audit Committee concluded that, in general, the Company has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the regular review of the Audit Committee, is satisfied that the Group in 2021, fully complied with the code provisions on risk management and internal controls as set forth in the Code.

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

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

The Company's risk management and internal control systems are reviewed at least annually. Based on the review and evaluation of risk management and internal control of the Reporting Period, the Board takes the view that the risk management and internal control of the Company are effective and adequate.

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

External Auditors

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

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

During the Year, the fees paid to the Company's external auditors for audit services amounted to approximately RMB1,135,000 and for non-audit related activities (which are the fees for agreed upon procedures on accounts) amounted to approximately RMB250,000.

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

Staff Diversity

The Group had a workforce of 738 full-time employees as of 31 December 2021. Among them, around 34.8% of the workforce (including senior management) were female, and around 50.0% of the Group's senior management (including one executive Director, namely, Mr. Sun Liangchuan) positions were held by female. To support diversity at different level of the Group, the Group is enhancing diversity awareness through employee networks, hiring and recruitment practices, and awareness raising promotions and training for all employees.

CORPORATE GOVERNANCE REPORT

Dividend Policy

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Communications with Shareholders and Investors

The Company places great emphasis on its relationship and communication with Shareholders and investors. The Shareholders' Communication Policy sets out the framework the Company has put in place to promote effective communication with shareholders. In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements including electronic copies accessible by the public online. The Company has established its own corporate website www.jinrangongyong.com as a channel to facilitate effective communication with its Shareholders and the public.

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation. The Company's general meeting allows the Directors to meet and communicated with Shareholders. The Company ensures that Shareholders' views are communicated to the Board. The Chairman of the annual general meeting proposes separate resolutions for each issue to be considered.

Having review the implementation and effectiveness of different channels of communication available to the shareholders, and with reference to the shareholders' participation and feedbacks in meetings and corporate activities, the Company considered that the Shareholders' Communication Policy to be effective during the Year.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

Address:

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

Tel No.: (86) 022-87569972

Fax No.: (86) 022-87569971

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY MEETING

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

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

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

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR SHAREHOLDERS' ENQUIRES TO BE PUT TO THE BOARD

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

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

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 52(17) of the Articles, the Shareholders' general meeting shall exercise its power to review any provisional motion put forward by Shareholders separately or aggregately holding 3 percent or more of the shares of the Company.

Pursuant to Article 56 of the Articles, when the Company convenes a shareholders' general meeting, Shareholder(s) individually or jointly holding 3% or more of Company's shares can make a provisional motion in writing to the Board 10 days before the date of shareholders' general meeting. The Board shall notify other shareholders within 2 days after the receipt of such proposal and table the provisional motion to the shareholders' general meeting for consideration. The Company shall include those motions falling within the scope of responsibility of the Shareholders' general meeting into the agenda of such meeting.

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

- Starting from the second day after the despatch of the notice of the general meeting appointed for the election of Director by the Company, a Shareholder is entitled to lodge a notice in writing to the Company to propose a person for election as a Director.
- The length of the period, during which the aforesaid notice in writing is lodged with the Company, shall be seven days.
- In any event, the aforesaid period shall end seven days before the date of such general meeting.
- In the aforesaid period of or better terms notice, such proposed Director shall give notice to the Company stating his/her willingness to be elected.

Changes to Constitutional Documents

During the Year, amendments have been made to the Articles of Association. Please refer to the paragraph headed "Amendments to the Articles of Association" in the section headed "Management Discussion and Analysis" in this annual report for further details.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal business of the Group includes the sale of piped natural gas, sale of natural gas appliances, natural gas pipeline grid connection and natural gas transportation via pipelines, while principal operation activities include the sale and distribution of piped gas, the lease of pipelines, the operation and management of gas pipeline infrastructure, the sale and installation of gas appliances, the lease of self-owned buildings and (via branch) facilities of gas stations. The Group has been operating in accordance with the specific licencing regulations promulgated by the government whenever applicable. In the Year, the Group continued its focus on natural gas related operations within the region and the region nearby. Thus, in the Year, the Company has on 天津產權交易中心 (Tianjin Property Rights Exchange) listed for sale all assets of 天津津燃公用事業股份有限公司集寧分公司 (Tianjin Jinran Public Utilities Company Limited, Jining Branch), a branch company of the Company in Ulanqab City, Jining District of Inner Mongolia Autonomous Region, the PRC.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on pages 78 to 79 of this annual report.

The Board does not recommend the distribution of a dividend for the year ended 31 December 2021 (Previous Year: RMB0.05 (before considering any tax effect) per share).

RELIEF FROM TAXATION

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

DIRECTORS' REPORT

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

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

FINANCIAL SUMMARY

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

BUSINESS REVIEW

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

SHARE CAPITAL

Details of the Company's share capital are set out in note V.19 to financial statements included in this annual report.

DISTRIBUTION RESERVES

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

As at 31 December 2021, the Group's reserves available for distribution to Shareholders, comprised the retained profits determined under PRC accounting standards of approximately RMB552 million (2020: RMB647 million).

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

DIRECTORS' REPORT

RESERVES

Profits attributable to Shareholders before dividends of RMB199,235 (2020: RMB605,994) have been transferred to reserves.

MANAGEMENT CONTRACTS

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

FIXED ASSETS

Details of movements in fixed assets of the Group are set out in note V.9 to financial statements included in this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 200 of this annual report.

DIRECTORS AND SUPERVISORS

Set out below are the Directors and Supervisors during the Year and up to the date of this report:

Executive Directors

Zhao Wei (*Chairman*)
Tang Jie
Sun Liangchuan

Non-executive Directors

Hou Shuang Jiang
Zhao Heng Hai
Zhang Jinlin (Retired on 25 June 2021)
Hou Yuling (Appointed on 25 June 2021)

Independent Non-executive Directors

Zhang Ying Hua
Yu Jian Jun
Guo Jia Li

DIRECTORS' REPORT

Independent Supervisors

Xu Hui
Liu Zhi Yuan

Staff Representative Supervisors

You Hui Yan
Ms. Hao Li (Resigned as Supervisor with effect from 25 June 2021)
Zhang Tingting (Appointed on 25 June 2021)

Shareholders' Representative Supervisor

Yang Hu Ling (Retired on 25 June 2021)
Sun Guoqing (Appointed on 25 June 2021)

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract, and each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 25 June 2021.

Each of the Supervisors has entered into a service agreement with the Company for a term of three years commencing from 25 June 2021 and ending on the conclusion of the annual general meeting of the Company to be held in 2024.

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

Save as Ms. Tang Jie, Mr. Guo Jia Li, Mr. Yu Jian Jun and Mr. Zhang Ying Hua, all Directors waived their director fee for the Year. During the Year, save as disclosed above, there was no arrangement in which Directors waived their remuneration. Please also refer to the paragraph headed "Remuneration of Directors and Senior Management" in the Corporate Governance Report for further information about the Directors' remuneration policy.

DIRECTORS' REPORT

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 2021, the interests and short positions of the Directors, chief executives and Supervisors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long Position

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

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

Save as disclosed above, as at 31 December 2021, none of the Directors, chief executives and Supervisors of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS

So far as known to the Directors, as at 31 December 2021, the following persons, not being a Director, chief executive or Supervisor of the Company, have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO:

Substantial Shareholders

Long Position

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

Name of shareholder	Capacity	Number of Domestic Shares interested	Approximate percentage of interests in the Company/ Domestic Shares
Tianjin Gas Group Company Limited ("Tianjin Gas") 天津市燃氣集團有限公司	Beneficial owner	1,297,547,800	70.54%/96.89%
Tianjin Energy Investment Company Limited ("Tianjin Energy") 天津能源投資集團有限公司 (Note 1)	Interest of a controlled corporation	1,297,547,800	70.54%/96.89%
Tianjin State-owned Capital Investment Management Co., Ltd. ("Tianjin Capital") 天津國有資本投資運營有限公司 (Note 2)	Interest of a controlled corporation	1,297,547,800	70.54%/96.89%
中國建設銀行股份有限公司天津市分行(China Construction Bank Corporation (Tianjin Branch)*) ("CCB Tianjin") (Note 3)	Other	1,297,547,800	70.54%/96.89%

DIRECTORS' REPORT

Notes:

1. Tianjin Energy is the intermediary holding company of Tianjin Gas. Therefore Tianjin Energy is deemed, or taken to be interested in all the Domestic Shares beneficially held by Tianjin Gas for the purpose of the SFO.
2. Tianjin Capital is the intermediary holding company of Tianjin Energy. Therefore Tianjin Capital is deemed, or taken to be interested in all the Domestic Shares beneficially held by Tianjin Gas for the purpose of the SFO.
3. On 6 May 2020, Tianjin Capital has charged 100% equity interest in Tianjin Energy (which owns 100% equity interest in Tianjin Gas) to CCB Tianjin. Therefore CCB Tianjin is taken to be interested in all the Domestic Shares beneficially held by Tianjin Gas for the purpose of the SFO.

Other Shareholders

Long Position

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

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

DIRECTORS' REPORT

Notes:

1. As at 31 December 2021, Mr. Liu Hei Wan and Ms. Law Suet Yi jointly held 14,500,000 H Shares of the Company.
2. The Waterfront Development Group Limited is wholly-owned by Mr. Liu Hei Wan and thus a controlled corporation by Mr. Liu Hei Wan. Therefore, Mr. Liu Hei Wan is deemed, or taken to be, interested in the 30,000,000 H Shares which are beneficially owned by The Waterfront Development Group Limited for the purpose of the SFO.
3. Ms. Law Suet Yi is the spouse of Mr. Liu Hei Wan and therefore, Ms. Law Suet Yi is deemed, or taken to be, interested in all the Shares in which Mr. Liu Hei Wan is interested for the purpose of SFO.

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any person, not being a Director, chief executive or Supervisor of the Company, have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO.

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

No Director or Supervisor nor any entity connected with a Director or Supervisor was materially interested, either directly or indirectly, in any transactions, arrangements or contracts of significance to the Group, or to which the holding company of the Company, the Company or any of the Company's subsidiaries or fellow subsidiaries or its specified undertaking was a party during the Year.

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

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

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

DIRECTORS' REPORT

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

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

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

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

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

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates, that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

CONNECTED TRANSACTIONS

During the Year, the Group has the following non-exempt connected transactions or continuing connected transactions under the Listing Rules:

DIRECTORS' REPORT

Non-exempted Continuing Connected Transactions

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

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

On 30 April 2019, the Board has resolved to exercise the discretion to extend the term for a further two years ended 30 April 2021 on the same terms and conditions contemplated under the Gas Pipeline Lease Agreement. The new annual caps, being RMB6,000,000 for each of the renewed years (i.e. 1 May 2019 to 30 April 2020 and 1 May 2020 to 30 April 2021) is the maximum gas pipeline lease fee payable by Binhai Gas Group to the Company pursuant to the Gas Pipeline Lease Agreement under the Renewed Gas Pipeline Lease Agreement. Actual transaction amount (tax exclusive) for the Year was approximately RMB5,505,000.

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

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

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

(2) Pipeline Construction and Design Services

The pipeline construction and design agreement dated 29 April 2016 has expired on 31 December 2018. On 4 January 2019, the Company and Tianjin Energy entered into the Pipeline Works Framework Agreement in respect of the provision of pipeline construction and design services by Tianjin Energy and/or its associated companies upon successful bids for gas pipeline construction and design services contracts put out to tender from time to time by the Group in accordance with the tendering procedures set by the Group from time to time for the period from the effective date of the Pipeline Works Framework Agreement (i.e. 4 January 2019) to 31 December 2021. The annual cap for the transactions contemplated under the Pipeline Works Framework Agreement for each of the three years ended 31 December 2021 is RMB30,000,000. Actual transaction amount (tax exclusive) for the Year was RMB25,753,000.

Tianjin Energy owns the entire equity interest in Tianjin Gas, a controlling shareholder of the Company which holds approximately 70.54% of the total issued share capital of the Company. Pursuant to Rule 14A.07(1) of the Listing Rules, Tianjin Energy is a connected person of the Company, and the entering into of the Pipeline Works Framework Agreement constitutes a continuing connected transaction of the Company. As the highest applicable percentage ratio for the aforesaid annual cap is, on an annual basis, more than 0.1% but less than 5%, the Pipeline Works Framework Agreement is subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

(3) Gas Supply

The 2021 Gas Supply Contract

As the gas supply contract dated 11 November 2019 between the Company and Jinran China Resources in respect of the supply of natural gas by Jinran China Resources to the Company (the "2020 Gas Supply Contract") expired on 31 December 2020, on 9 February 2021, the Company and Jinran China Resources entered into a conditional gas supply contract dated 9 February 2021 in respect of the supply of natural gas by Jinran China Resources to the Company (the "2021 Gas Supply Contract") for the period from 1 January 2021 to 31 December 2021, with an annual cap not exceeding RMB1,915,000,000. The actual transaction amount (tax exclusive) for the Year was approximately RMB1,333,973,000.

DIRECTORS' REPORT

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the annual cap for the 2021 Gas Supply Contract for the year ended 31 December 2021 exceeds 5%, the 2021 Gas Supply Contract is subject to, inter alia, the independent shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For details, please refer to circular of the Company dated 15 March 2021.

As at the date of this report, Jinran China Resources was held as to 51% by Tianjin Gas and is hence a connected person of the Company, and the entering into of the 2021 Gas Supply Contract between Jinran China Resources and the Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Also, on 9 February 2021, the Company and Jinran China Resources entered into the supplemental agreements, pursuant to which the 2020 Gas Sourcing Price (as defined under the 2020 Gas Supply Contract for the year ended 31 December 2020) applicable to the natural gas supplied to 天津鋼管製造有限公司 (Tianjin Gangguan Zhizao Limited*) and 天津太鋼天管不銹鋼有限公司 (Tianjin Taigang Tianguan Buxiugang Limited*) from 1 August 2020 to 31 December 2020 will be decreased. To effect a material change to the terms of the 2020 Gas Supply Contract, which was approved by the independent shareholders under Chapter 14A of the Listing Rules, the Company must re-comply with the independent shareholders' approval and announcement requirements under Chapter 14A of the Listing Rules. For details, please refer to the circular of the Company dated 15 March 2021.

On 15 April 2021, the Company and Jinran China Resources entered into a supplemental agreement, pursuant to which parties agreed on the price of natural gas (per cubic metre) supplied by Jinran China Resources to the Company as processed and measured by the pressure reducing station on Lishuang Road of Tianjin city operated by the Company from 1 November 2020 to 31 March 2021 otherwise than provided under the 2020 Gas Supply Contract and 2021 Gas Supply Contract. As a material change to the terms of the 2020 Gas Supply Contract and the 2021 Gas Supply Contract, which were approved by the independent shareholders under Chapter 14A of the Listing Rules, the Company must re-comply with the independent shareholders' approval and announcement requirements under Chapter 14A of the Listing Rules. For further details, please refer to the circular of the Company dated 9 June 2021.

On 21 May 2021, the Company and Jinran China Resources entered into supplemental agreements, pursuant to which the the monthly price per cubic metre at which the Company sources its natural gas from Jinran China Resources for the year ended 31 December 2021 (the "2021 Gas Sourcing Price") in relation to the natural gas supplied to 天津鋼管製造有限公司 (Tianjin Gangguan Zhizao Limited*) and 天津太鋼天管不銹鋼有限公司 (Tianjin Taigang Tianguan Buxiugang Limited*) from 1 January 2021 to 31 December 2021 would be decreased. As a material change to the terms of the 2021 Gas Supply Contract, which were approved by the independent shareholders under Chapter 14A of the Listing Rules, the Company must re-comply with the independent shareholders' approval and announcement requirements under Chapter 14A of the Listing Rules. For further details, please refer to the circular of the Company dated 5 July 2021.

DIRECTORS' REPORT

On 31 August 2021, the Company and Jinran China Resources entered into a supplemental agreement, pursuant to which the 2021 Gas Sourcing Price in relation to the natural gas supplied to 天津市新天鋼冷軋薄板有限公司 (Tianjin City Xintiangan Cold Rolled Steel Sheet Limited*), from 1 April 2021 to 31 December 2021 will be decreased. As a material change to the terms of the 2021 Gas Supply Contract, which were approved by the independent shareholders under Chapter 14A of the Listing Rules, the Company must re-comply with the independent shareholders' approval and announcement requirements under Chapter 14A of the Listing Rules. For further details, please refer to the circular of the Company dated 7 October 2021.

(4) Gas Transportation

On 21 May 2021, Jinran China Resources and the Company entered into a natural gas transportation contract in respect of the Company's provision of natural gas transportation services to Jinran China Resources via the gas pipelines owned and managed by the Company.

The said gas transportation fees are calculated based on the actual volume of natural gas and actual distance transmitted at RMB0.8 per 1,000 cubic metres per kilometre. The annual caps for the said gas transportation fees for the year ended 31 December 2021 was (tax inclusive) RMB7,600,000, and for the years ending 31 December 2022 and 31 December 2023 are (tax inclusive) RMB8,600,000 and RMB9,600,000, respectively. Actual transaction amount (tax exclusive) for the Year was RMB2,042,000.

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

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

For details, please refer to the announcement of the Company dated 21 May 2021.

DIRECTORS' REPORT

(5) Gas Provision

On 15 April 2021, the Company entered into a conditional gas provision contract with 天津泰華燃氣有限公司 (Tianjin Taihua Gas Co., Ltd.*, "Taihua Gas") with respect to the supply of natural gas by the Company to Taihua Gas for the three years ending 31 December 2023, with annual caps not exceeding RMB383,000,000, RMB445,000,000 and RMB538,000,000, respectively. Actual transaction amount (tax exclusive) was approximately RMB193,918,000 during the Year.

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

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

For further details, please refer to the circular of the Company dated 9 June 2021.

(6) Entrusted Purchase of Gas Metres

On 5 December 2019, the Company entered into the Entrusted Purchase Agreement with Jinran China Resources, pursuant to which the Company entrusted Jinran China Resources to purchase Internet of Things gas metres for the Company's plan to replace the existing gas metres for the Company's users in Heping District (和平區), Hedong District (河東區), Xiqing District (西青區), Ninghe District (寧河區), Hangu District (漢沽區) and part of the Jinnan District (津南區) in Tianjin with the Internet of Things gas metres for the period commencing on 5 December 2019 and ended on 31 December 2021. The aggregate purchase price under the Entrusted Purchase Agreement for the period from 5 December 2019 to 31 December 2019, and the years ended 31 December 2020 and 31 December 2021 shall not exceed RMB38,556,350, RMB49,999,600 and RMB49,999,600, respectively. Actual transaction amount (tax exclusive) for the Year was RMB20,050,000.

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

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

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

Review by Independent Non-Executive Directors and Auditors

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

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

DIRECTORS' REPORT

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

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

Non-Exempt Connected Transactions

Connected Transaction – Purchase of Gas Meters

On 31 May 2021, the Company entered into a material purchase agreement with 天津市裕民燃氣表具有限公司 (Tianjin Yumin Gas Meter Co., Ltd*, "Tianjin Yumin"), pursuant to which Tianjin Yumin agreed to sell and the Company agreed to purchase gas meters at an aggregate maximum purchase price of RMB13,960,000. Tianjin Yumin is wholly-owned by Tianjin Energy, who in turns owns the entire equity interest in Tianjin Gas (a controlling shareholder of the Company). The material purchase agreement was subject to the reporting and announcement requirements, but was exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 31 May 2021.

Connected Transaction – Gas Pipeline Lease Agreement

On 16 August 2021, the Company and 天津濱海燃氣集團有限公司 (Tianjin Binhai Gas Group Company Limited*, "Binhai Gas Group") entered into a gas pipeline lease agreement in respect of the lease of the high pressure gas pipelines in Tianjin of approximately 30 km, which is owned and managed by the Company, to Binhai Gas Group for the period from 1 May 2021 to 30 April 2022, at a lease fee of RMB6,000,000. Binhai Gas Group is wholly-owned by Tianjin Energy, who in turns owns the entire equity interest in Tianjin Gas (a controlling shareholder of the Company). Accordingly, Binhai Gas Group is a connected person of the Company. The gas pipeline lease agreement was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but was exempt from the circular, independent financial advice and shareholders' approval requirements. For further details, please refer to the announcement of the Company dated 16 August 2021.

Related Party Transactions

The significant related party transactions which were undertaken in the normal course of business are set out in note IX.5 to the financial statements in this report. The following related party transactions disclosed in note IX.5 to the financial statements in this report are fully exempt connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules:

1. The Company supplied natural gas to Tianjin Heat Company Limited (天津市熱力有限公司), Tianjin Binhai China Petroleum Gas Company Limited (天津濱海中油燃氣有限責任公司), Tianjin Zhongyuan Gas Construction Limited (天津市眾元天然氣工程有限公司) (“Tianjin Zhongyuan”) and Tianjin Yixiao Gas Construction Development Limited (天津市益銷燃氣工程發展有限公司) (“Tianjin Yixiao”) which are subsidiaries of Tianjin Energy, a controlling shareholder of the Company and thus are connected persons of the Company under the Listing Rules. The Company also supplied natural gas to Tianjin Energy, the controlling shareholder of the Company. The total sales amounted to RMB2,172,000, RMB121,000, RMB8,000, RMB300 and RMB18,000 respectively for the Period;
2. The Company received gas connection engineering construction services from Tianjin Liquefied Gas Engineering Limited (天津市液化氣工程有限公司), Tianjin Zhongyuan and Tianjin Lianyi Gas Supporting Engineering Limited (天津市聯益燃氣配套工程有限責任公司), which are subsidiaries of Tianjin Energy, a controlling shareholder of the Company and thus are connected persons of the Company under the Listing Rules. The total gas connection engineering construction services fees amounted to RMB1,121,000, RMB1,925,000 and RMB2,147,000 respectively for the Period;
3. Tianjin Jinneng Yiantai Technology Limited (天津津能易安泰科技有限公司) provided internet services to the Company. The total internet services fees amounted to RMB25,000 for the Period;
4. The Company rented buildings from Tianjin Yixiao and Tianjin Liquefied Gas Company Limited (天津市液化氣有限責任公司), which are subsidiaries of Tianjin Energy, a controlling shareholder of the Company, and thus are connected persons of the Company under the Listing Rules. The total rental amounted to RMB90,000 and RMB233,000 respectively for the Period; and
5. The Company purchased fixed assets from Tianjin Energy Investment Group Technology Co., Ltd (天津能源投資集團科技有限公司), a subsidiary of Tianjin Energy, a controlling shareholder of the Company, and thus is a connected person of the Company under Listing Rules. The total purchase amounted to RMB606,000 for the Period.

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

DIRECTORS' REPORT

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

The above connected transactions and continuing connected transactions has followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended 31 December 2021.

Connected Transactions in 2022

Continuing Connected Transaction – Gas Supply in 2022

On 6 December 2021, the Company and Jinran China Resources entered into the conditional gas supply contract (“2022 Gas Supply Contract”) for the period from 1 January 2022 to 31 December 2022, to renew the arrangements under the 2021 Gas Supply Contract with an annual cap of RMB2,070 million. The 2022 Gas Supply Contract was subject to, among other things, the independent shareholders’ approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. For further details, please refer to the circular of the Company dated 15 December 2021.

Continuing Connected Transaction – Pipeline Construction and Design Services in 2022

On 15 December 2021, the Company and Tianjin Energy entered into the engineering works framework agreement (“2022 Pipeline Works Framework Agreement”) in respect of the provision of construction and design services for pipelines and supporting facilities by Tianjin Energy and/or its associated companies for the period from 1 January 2022 to 31 December 2022, to renew the arrangements under the engineering works framework agreement that has expired on 31 December 2021, with an annual cap of RMB30,000,000. The 2022 Pipeline Works Framework Agreement was subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 15 December 2021.

Connected Transactions – Procurement and Installation of Gas Meters

On 10 March 2022, the Company and Jinran China Resources entered into (1) an entrusted procurement agreement pursuant to which the Company agreed to entrust Jinran China Resources to procure 27,825 gas meters at an aggregate maximum procurement price of RMB9,154,425; and (ii) a gas meters installation agreement pursuant to which the Company agreed to engage Jinran China Resources to perform installation work for replacement of 27,825 gas meters at an aggregate maximum contract price of RMB3,060,750. These agreements were subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 10 March 2022.

PERMITTED INDEMNITY

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

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 56.7% of the Group's total turnover for the Year, with the largest customer accounted for approximately 27.0%. The five largest suppliers of the Group together accounted for approximately 87.8% of the Group's total purchases for the Year, with the largest supplier accounted for approximately 86.2%.

Except: (i) Jinran China Resources, a major supplier of the Group and is owned as to 51% by Tianjin Gas, a controlling shareholder of the Company; (ii) Tianjin Lianyi Gas Construction Limited (天津市聯益燃氣配套工程有限責任公司), a major supplier of the Group and a subsidiary of Tianjin Gas; and (iii) Taihua Gas, a major customer of the Group and is indirectly owned as to 70% by Tianjin Gas, at no time during the Year did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

AUDIT COMMITTEE

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

AUDITORS

The consolidated financial statements of the Company for the years ended 31 December 2019, 2020 and 2021 have been audited by Ernst & Young Hua Ming LLP, certified public accountants.

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

SIGNIFICANT CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, (i) no contract of significance has been entered into during the Year between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries; and (ii) no contract of significance has been entered into for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, the Company has not entered into any equity-linked agreement and no such agreement subsisted at the end of the Year.

Annual General Meeting And Book Closure Period

The annual general meeting of the Company ("AGM") is expected to be held on 27 June 2022 (Monday) at 3:00 p.m. at Floor 9, Gangao Tower, No. 18 Zhengzhou Road, Heping District, Tianjin, PRC and notice of the AGM will be published and despatched in the manner as required by the Listing Rules. To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 28 May 2022 (Saturday) to 27 June 2022 (Monday) (both days inclusive) during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 27 May 2022 (Friday).

On behalf of the Board

Tianjin Jinran Public Utilities Company Limited

Zhao Wei

Chairman

SUPERVISORY COMMITTEE'S REPORT

WORK REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2021

In 2021, the members of the Supervisory Committee of Tianjin Jinran Public Utilities Company Limited (hereinafter referred to as the “Company”), in the spirit of being responsible to all shareholders, earnestly performed their supervision duties in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Articles of Association of Tianjin Jinran Public Utilities Company Limited (hereinafter referred to as the “Articles of Association”) and the Listing Rules of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In 2021, the members of the Supervisory Committee attended or presented all the general meetings and board meetings in the year, actively participated in the review of major decision-making matters of the Company, and guaranteed the interests of the shareholders, the Company and the employees to the greatest extent according to law. The specific work report of the Supervisory Committee for the year 2021 is as follows:

I. Meetings of the Supervisory Committee

On 30 March 2021, the Company convened the seventh meeting of the sixth session of the Supervisory Committee, which considered and passed the Resolution on the Work Report of the Supervisory Committee for the year 2020, the Resolution on the Annual Report of the Company for the year 2020 and its Publication on the Website of the Stock Exchange and the Resolution on the Payment of a Final Dividend of the Company for the year 2020.

On 16 April 2021, the Company convened the eighth meeting of the sixth session of the Supervisory Committee, which considered and passed the Resolution on the General Election of the Supervisory Committee of the Company.

On 25 June 2021, the Company convened the first meeting of the seventh session of the Supervisory Committee, which considered and passed the Resolution on the Election of the Chairman of the Supervisory Committee of the Company.

On 27 August 2021, the Company convened the second meeting of the seventh session of the Supervisory Committee, which considered and passed the Resolution on the Interim Report of the Company for the year 2021 and its Publication on the Website of the Stock Exchange.

SUPERVISORY COMMITTEE'S REPORT

II. Independent opinions of the Supervisory Committee on relevant matters of the Company

1. The compliances of the Company

During the reporting period, members of the Supervisory Committee learned about the major business decision-making process of the Company by attending or presenting the board meetings and the general meeting of the Company, and inspected and supervised the financial position and operation of the Company. The Supervisory Committee believes that the operations of the Company in 2021 were conducted in strict accordance with the Company Law, the Articles of Association, the Listing Rules of the Stock Exchange and other relevant laws and regulations, and the operation decisions are scientific and reasonable. The Company has established and continuously improved the internal management and internal control system, and formed an effective internal control mechanism. The directors and senior management of the Company performed their duties diligently in compliance with the national laws, regulations, articles of association and systems, and safeguard the interests of the Company. There are no violations of laws, regulations nor behaviors that damage the interests of the Company and minority shareholders.

2. Financial activities of the Company

During the reporting period, the Supervisory Committee of the Company carefully inspected and reviewed the accounting statements and financial information of the Company. According to the audit report issued by Ernst & Young Hua Ming LLP, the Supervisory Committee believes that the financial report of the Company for the year 2021 presented truly and objectively the financial position and operating results of the Company.

3. Connected transactions of the Company

- (1) To consider and pass the resolution regarding entering into the 2020 gas provision contract with 津燃華潤燃氣有限公司(Jinran China Resources Gas Co., Ltd.*);
- (2) To consider and pass the resolution regarding entering into a gas provision contract with天津泰華燃氣有限公司(Tianjin Taihua Gas Co., Ltd.*);
- (3) To consider and pass the resolution regarding signing a natural gas transportation contract with 津燃華潤燃氣有限公司(Jinran China Resources Gas Co., Ltd.*);

SUPERVISORY COMMITTEE'S REPORT

- (4) To consider and pass the resolution regarding procurement of gas meters from 天津市裕民燃氣表具有限公司(Tianjin Yumin Gas Meter Co., Ltd.*);
- (5) To consider and pass the resolution regarding entering into a gas pipeline lease agreement with 天津濱海燃氣集團有限公司(Tianjin Binhai Gas Group Company Limited*);
- (6) To consider and pass the resolution regarding entering into the 2021 gas provision contract with 津燃華潤燃氣有限公司(Jinran China Resources Gas Co., Ltd.*);
- (7) Resolution on entering into the Project Principle Agreement with Tianjin Energy Investment Group Co., Ltd. (天津能源投資集團有限公司).
- (8) Other connected transactions in ordinary operations did not exceed the cap of relevant regulations. The Supervisory Committee believes that the connected transactions of the Company in the year 2021 were in general commercial terms and in compliance with the provisions of the national laws, regulations and the Articles of Association, and fulfilled the obligation of information disclosure in accordance with the Listing Rules of the Stock Exchange.

III. Work plan for 2022

In 2022, the members of the Supervisory Committee of the Company will continue to earnestly study the relevant national laws and regulations, improve their professional ability and strengthen their awareness of supervision and performance of their duties of diligence. In the spirit of being responsible to the shareholders and the employees of the Company, the members will, with the Company's operations as the core, effectively supervise the Company's major decision-making matters by attending the board meetings and the general meeting. We will urge and further strengthen the Company's risk prevention awareness, further improve the Company's internal control system, strengthen the implementation of the internal control system and its effectiveness, and facilitate the Company's standardized operation and sustainable and healthy development.

Supervisory Committee of Tianjin Jinran Public Utilities Company Limited
30 March 2022

AUDITOR'S REPORT



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Ernst & Young Hua Ming (2022) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

To the shareholders of TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED:

1. OPINION

We have audited the financial statements of Tianjin Jinran Public Utilities Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 76 to 199, which comprise the consolidated and company statements of financial position as at 31 December 2021, and the consolidated and company statements of profit or loss, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the consolidated and company financial position of Tianjin Jinran Public Utilities Company Limited as at 31 December 2021 and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

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

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2022) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

3. KEY AUDIT MATTERS

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

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

Key audit matter:

How our audit addressed the key audit matter:

Impairment of trade receivables

At 31 December 2021, the gross carrying amount of trade receivables was RMB173,303,394.48, and the gross bad debt provision amounted to RMB16,013,828.04. According to the significant accounting policies and estimates presented in Note III.7 and Note III.26 to the consolidated financial statements, the impairment of trade receivables is made based on assessment of the expected credit loss model. Significant management judgements need to be made during the assessment process. Management considers various factors which include the ageing of the balances, existence of disputes, recent historical payment patterns and status, taking into account forward-looking adjustment factors in combination with economic policies, macroeconomic indicators, industry risks and any other available information concerning the creditworthiness of customers.

The Group's disclosures about impairment of trade receivables are included in Note V.2 to the consolidated financial statements.

We understood, evaluated the design effectiveness of management key internal controls related to the impairment of trade receivables and tested the implementation effectiveness; assessed the reasonableness of the expected credit loss model used by management, including management's risk classification of trade receivables, taking into account current economic conditions, industry trend and comparing historical repayments to assess the customers' financial repayment capacity; checked the significant carrying amount, ageing analysis and overdue amount analysis by customer to review the rationality of the basic data of management to account for the impairment of trade receivables; made inquiry about management's special consideration, examined the subsequent receipts by checking against bank receipts and paid attention to the collection of trading receivables and the adequacy of bad debt provision; and assessed the adequacy of disclosures related to the impairment of trade receivables and related credit risks in the financial statements made by management.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2022) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

3. KEY AUDIT MATTERS *(continued)*

Key audit matter:

Revenue recognition of gas connection contracts

In 2021, the Group realised gas connection income of RMB53,015,276.65. According to the significant accounting policies and estimates presented in Note III.18 and Note III.26 to the consolidated financial statements, the revenue from gas connection contracts is recognised by using the completion of performance obligation, measured by reference to the proportion of cost incurred to date to the estimated total cost of the relevant contract. When determining the estimated total cost of contract and cost incurred, significant estimates are involved. Management reviews the estimates of both actual cost and total contract cost in budget prepared for each contract as the contract progresses.

The Group's disclosures about revenue from gas connection contracts are included in Note V.24 to the consolidated financial statements.

How our audit addressed the key audit matter:

We understood, evaluated the design effectiveness of management key internal controls related to the revenue recognition of gas connection contracts and tested the implementation effectiveness; obtained management's calculation sheets of all gas connection contracts which were in progress as at 31 December 2021 and checked relevant inputs involved, including costs incurred, total estimated costs and gas connection revenue contracts, examining the construction cost, design and supervision cost, and the installation cost for gas meters; we obtained the relevant contracts, bank payment slips and the report of construction progress status which has been confirmed by the supervision party, and evaluated the completion of performance obligation of gas connection contracts which were in progress as at 31 December 2021; and assessed the adequacy of disclosures related to the revenue recognition of gas connection contracts in the financial statements made by management.

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2022) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

4. OTHER INFORMATION

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

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

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

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

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

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

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

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

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2022) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

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

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

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

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

AUDITOR'S REPORT (continued)

Ernst & Young Hua Ming (2022) Shen Zi No.61311187_L01
Tianjin Jinran Public Utilities Company Limited

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

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

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

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

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Wei Shaoxiong
(Engagement partner)

Chinese Certified Public Accountant: Wang Siming

Beijing, the People's Republic of China

30 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

Renminbi Yuan

ASSETS	Note V	31 December 2021	31 December 2020
CURRENT ASSETS			
Cash and bank balances	1	1,150,947,998.99	1,255,927,702.26
Trade receivables	2	157,289,566.44	152,282,858.20
Receivables financing	3	47,215,625.61	52,544,172.97
Prepayments	4	1,219,482.41	1,391,903.61
Other receivables	5	4,674,905.67	2,777,508.14
Inventories	6	4,661,939.14	5,961,689.00
Other current assets	7	23,237,847.47	29,405,984.37
Total current assets		1,389,247,365.73	1,500,291,818.55
NON-CURRENT ASSETS			
Long-term equity investments	8	49,135,974.84	49,037,075.45
Fixed assets	9	856,344,015.45	858,919,973.98
Construction in progress	10	4,873,348.18	2,292,888.87
Intangible assets	11	11,449,718.98	11,716,464.50
Deferred tax assets	12	34,323,816.28	36,146,224.85
Total non-current assets		956,126,873.73	958,112,627.65
TOTAL ASSETS		2,345,374,239.46	2,458,404,446.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2021
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2021	31 December 2020
CURRENT LIABILITIES			
Trade payables	14	200,484,781.18	217,219,648.96
Contract liabilities	15	295,251,725.48	305,027,206.60
Employee benefits payable	16	16,294,651.30	15,511,880.82
Taxes payable	17	46,969,427.84	49,647,052.03
Other payables		31,249,026.50	22,567,117.17
Total current liabilities		590,249,612.30	609,972,905.58
NON-CURRENT LIABILITIES			
Deferred income	18	101,466,274.03	103,891,515.73
Total non-current liabilities		101,466,274.03	103,891,515.73
Total liabilities		691,715,886.33	713,864,421.31
SHAREHOLDERS' EQUITY			
Share capital	19	183,930,780.00	183,930,780.00
Capital reserve	20	790,332,352.18	790,332,352.18
Specialised reserve	21	298,057.88	419,169.16
Surplus reserve	22	128,277,523.13	128,078,287.68
Retained earnings	23	551,650,003.94	646,616,369.62
Total equity attributable to shareholders of the Parent		1,654,488,717.13	1,749,376,958.64
Non-controlling interests		(830,364.00)	(4,836,933.75)
Total shareholders' equity		1,653,658,353.13	1,744,540,024.89
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,345,374,239.46	2,458,404,446.20

The financial statements are signed by the following persons:

Legal Representative:
Zhao Wei

Chief Financial Officer:
Sun Liangchuan

Head of Accounting Department:
Du Bing

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

Renminbi Yuan

	Note V	2021	2020
Revenue	24	1,579,769,604.57	1,344,635,812.33
Less: Cost of sales	24	1,568,338,292.05	1,363,634,249.60
Taxes and surcharges	25	2,835,553.62	2,450,149.44
Administrative expenses	26	33,760,441.27	29,170,962.74
Finance costs	27	(29,988,723.92)	(21,794,469.69)
including: interest income		30,349,740.19	21,999,557.16
Add: Other income	28	5,645,680.60	9,330,887.88
Investment income	29	723,962.36	5,314,320.71
including: share of profit of an associate		723,962.36	902,962.26
Credit impairment losses	30	(3,284,418.07)	(1,224,767.49)
Operating profit/(loss)		7,909,266.44	(15,404,638.66)
Add: Non-operating income	31	12,596.38	23,193.32
Less: Non-operating expenses	32	4,894,624.73	2,449,168.23
Total profit/(loss)		3,027,238.09	(17,830,613.57)
Less: Income tax expense	34	1,822,408.57	(4,189,255.39)
Net profit/(loss)		1,204,829.52	(13,641,358.18)
Classified by continuity of operations			
Profit/(loss) from continuing operations		1,204,829.52	(13,641,358.18)
Classified by ownership			
Profit/(loss) attributable to shareholders of the Parent		1,431,633.17	(13,515,344.04)
Profit/(loss) attributable to non-controlling interests		(226,803.65)	(126,014.14)
Other comprehensive income, net of tax		–	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

Year ended 31 December 2021

Renminbi Yuan

	Note V	2021	2020
Total comprehensive income		1,204,829.52	(13,641,358.18)
Including:			
Total comprehensive income attributable to shareholders of the Parent		1,431,633.17	(13,515,344.04)
Total comprehensive income attributable to non-controlling interests		(226,803.65)	(126,014.14)
Earnings/(loss) per share (RMB/Share)	35		
Basic		0.001	(0.007)
Diluted		0.001	(0.007)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

Renminbi Yuan

2021

	Attributable to shareholders of the Parent						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Specialised reserve note 1	Surplus reserve	Retained earnings	Sub-total		
I. At beginning of the year	183,930,780.00	790,332,352.18	419,169.16	128,078,287.68	646,616,369.62	1,749,376,958.64	(4,836,933.75)	1,744,540,024.89
II. Movements during the year								
(i) Total comprehensive income	-	-	-	-	1,431,633.17	1,431,633.17	(226,803.65)	1,204,829.52
(ii) Shareholders' contributions and reduction in capital								
1. Others	-	-	-	-	(4,233,373.40)	(4,233,373.40)	4,233,373.40	-
(iii) Profit appropriation								
1. Transfer to surplus reserve	-	-	-	199,235.45	(199,235.45)	-	-	-
2. Distribution to shareholders	-	-	-	-	(91,965,390.00)	(91,965,390.00)	-	(91,965,390.00)
(iv) Specialised reserve								
1. Utilisation for the year	-	-	(121,111.28)	-	-	(121,111.28)	-	(121,111.28)
III. At end of the year	183,930,780.00	790,332,352.18	298,057.88	128,277,523.13	551,650,003.94	1,654,488,717.13	(830,364.00)	1,653,658,353.13

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

2020

	Attributable to shareholders of the Parent						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Specialised reserve note 1	Surplus reserve	Retained earnings	Sub-total		
I. At beginning of the year	183,930,780.00	790,332,352.18	282,870.77	127,472,293.73	660,737,707.61	1,762,756,004.29	(4,710,919.61)	1,758,045,084.68
II. Movements during the year								
(i) Total comprehensive income	-	-	-	-	(13,515,344.04)	(13,515,344.04)	(126,014.14)	(13,641,358.18)
(ii) Profit appropriation								
1. Transfer to surplus reserve	-	-	-	605,993.95	(605,993.95)	-	-	-
(iii) Specialised reserve								
1. Appropriation for the year	-	-	136,298.39	-	-	136,298.39	-	136,298.39
III. At end of the year	183,930,780.00	790,332,352.18	419,169.16	128,078,287.68	646,616,369.62	1,749,376,958.64	(4,836,933.75)	1,744,540,024.89

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

Renminbi Yuan

Note V	2021	2020
1. Cash flows from operating activities		
Cash received from the sale of goods or rendering of services	1,764,562,955.05	1,711,250,730.18
Refunds of taxes	10,482,029.14	6,741,606.14
Cash received relating to other operating activities	12,240,533.41	19,398,024.94
Sub-total of cash inflows from operating activities	1,787,285,517.60	1,737,390,361.26
Cash paid for goods and services	1,477,793,610.40	1,491,054,350.42
Cash paid to and on behalf of employees	137,884,475.54	119,746,027.65
Cash paid for all types of taxes	74,223,594.44	12,480,829.87
Cash paid relating to other operating activities	21,719,250.83	40,727,380.54
Sub-total of cash outflows from operating activities	1,711,620,931.21	1,664,008,588.48
Net cash flows from operating activities	75,664,586.39	73,381,772.78
36		
2. Cash flows from investing activities		
Cash received from redemption of investments	640,000,000.00	740,000,000.00
Cash received from income on investments	20,274,508.77	14,750,191.35
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,499.98	1,700.00
Sub-total of cash inflows from investing activities	660,278,008.75	754,751,891.35
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets	106,732,820.44	36,405,285.26
Cash paid for acquisition of investments	100,000,000.00	750,000,000.00
Sub-total of cash outflows from investing activities	206,732,820.44	786,405,285.26
Net cash flows from/(used in) investing activities	453,545,188.31	(31,653,393.91)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2021

Renminbi Yuan

	Note V	2021	2020
3. Cash flows from financing activities			
Sub-total of cash inflows from financing activities		–	–
Cash payments for distribution of dividends or profit and interest expenses		92,006,494.51	–
Sub-total of cash outflows from financing activities		92,006,494.51	–
Net cash flows used in financing activities		(92,006,494.51)	–
4. Effect of foreign exchange rate changes on cash and cash equivalents		–	–
5. Net increase in cash and cash equivalents		437,203,280.19	41,728,378.87
Add: Cash and cash equivalents at beginning of the year		499,386,453.75	457,658,074.88
6. Cash and cash equivalents at end of the year	36	936,589,733.94	499,386,453.75

STATEMENT OF FINANCIAL POSITION

31 December 2021
Renminbi Yuan

ASSETS	Note XIII	31 December 2021	31 December 2020
CURRENT ASSETS			
Cash and bank balances		1,149,926,848.97	1,254,888,190.07
Trade receivables	1	157,289,566.44	152,282,858.20
Receivables financing		47,215,625.61	52,544,172.97
Prepayments		1,219,432.16	1,391,853.36
Other receivables	2	8,591,127.68	5,924,868.68
Inventories		4,661,939.14	5,961,689.00
Other current assets		23,151,041.91	29,405,984.37
Total current assets		1,392,055,581.91	1,502,399,616.65
NON-CURRENT ASSETS			
Long-term equity investments	3	49,135,974.84	49,037,075.45
Fixed assets		856,344,015.45	858,919,973.98
Construction in progress		4,873,348.18	2,292,888.87
Intangible assets		11,449,718.98	11,716,464.50
Deferred tax assets		39,323,816.28	41,146,224.85
Total non-current assets		961,126,873.73	963,112,627.65
TOTAL ASSETS		2,353,182,455.64	2,465,512,244.30

STATEMENT OF FINANCIAL POSITION (continued)

31 December 2021

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIII	31 December 2021	31 December 2020
CURRENT LIABILITIES			
Trade payables		200,438,781.18	217,173,648.96
Contract liabilities		295,251,725.48	305,027,206.60
Employee benefits payable		16,294,359.84	15,511,589.36
Taxes payable		46,882,561.19	49,647,292.34
Other payables		28,621,637.70	19,939,728.37
Total current liabilities		587,489,065.39	607,299,465.63
NON-CURRENT LIABILITIES			
Deferred income		101,466,274.03	103,891,515.73
Total non-current liabilities		101,466,274.03	103,891,515.73
Total liabilities		688,955,339.42	711,190,981.36
SHAREHOLDERS' EQUITY			
Share capital		183,930,780.00	183,930,780.00
Capital reserve		790,332,352.18	790,332,352.18
Specialised reserve		298,057.88	419,169.16
Surplus reserve		128,277,523.13	128,078,287.68
Retained earnings		561,388,403.03	651,560,673.92
Total shareholders' equity		1,664,227,116.22	1,754,321,262.94
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,353,182,455.64	2,465,512,244.30

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021
Renminbi Yuan

	Note XIII	2021	2020
Revenue	4	1,579,769,604.57	1,344,635,812.33
Less: Cost of sales	4	1,568,338,292.05	1,363,634,249.60
Taxes and surcharges		2,834,696.22	2,450,149.44
Administrative expenses		32,973,107.55	28,336,057.60
Finance costs		(29,988,057.84)	(21,793,628.95)
including: interest income		30,348,244.81	21,996,541.06
Add: Other income		5,645,680.60	9,330,887.88
Investment income	5	723,962.36	5,314,320.71
including: share of profit of an associate		723,962.36	902,962.26
Credit impairment losses		(3,284,418.07)	(1,224,767.49)
Operating profit/(loss)		8,696,791.48	(14,570,574.26)
Add: Non-operating income		12,596.38	23,193.32
Less: Non-operating expenses		4,894,624.73	2,449,168.23
Total profit/(loss)		3,814,763.13	(16,996,549.17)
Less: Income tax expense		1,822,408.57	(4,189,255.39)
Net profit/(loss)		1,992,354.56	(12,807,293.78)
Including: continuing operations		1,992,354.56	(12,807,293.78)
Other comprehensive income, net of tax		–	–
Total comprehensive income		1,992,354.56	(12,807,293.78)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

Renminbi Yuan

2021

	Share capital	Capital reserve	Specialised reserve note 1	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning of the year	183,930,780.00	790,332,352.18	419,169.16	128,078,287.68	651,560,673.92	1,754,321,262.94
II. Movements during the year						
(i) Total comprehensive income	-	-	-	-	1,992,354.56	1,992,354.56
(ii) Profit appropriation						
1. Transfer to surplus reserve	-	-	-	199,235.45	(199,235.45)	-
2. Distribution to shareholders	-	-	-	-	(91,965,390.00)	(91,965,390.00)
(iii) Specialised reserve						
1. Utilisation for the year	-	-	(121,111.28)	-	-	(121,111.28)
III. At end of the year	183,930,780.00	790,332,352.18	298,057.88	128,277,523.13	561,388,403.03	1,664,227,116.22

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

2020

	Share capital	Capital reserve	Specialised reserve note 1	Surplus reserve	Retained earnings	Total shareholders' equity
II. At beginning of the year	183,930,780.00	790,332,352.18	282,870.77	127,472,293.73	664,973,961.65	1,766,992,258.33
II. Movements during the year						
(i) Total comprehensive income	-	-	-	-	(12,807,293.78)	(12,807,293.78)
(ii) Profit appropriation						
1. Transfer to surplus reserve	-	-	-	605,993.95	(605,993.95)	-
(iii) Specialised reserve						
1. Appropriation for the year	-	-	136,298.39	-	-	136,298.39
III. At end of the year	183,930,780.00	790,332,352.18	419,169.16	128,078,287.68	651,560,673.92	1,754,321,262.94

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2021
Renminbi Yuan

	2021	2020
1. Cash flows from operating activities		
Cash received from the sale of goods or rendering of services	1,764,562,955.05	1,711,250,730.18
Refunds of taxes	10,482,029.14	6,741,606.14
Cash received relating to other operating activities	12,239,038.03	19,343,671.47
Sub-total of cash inflows from operating activities	1,787,284,022.22	1,737,336,007.79
Cash paid for goods and services	1,477,793,610.40	1,491,054,350.42
Cash paid to and on behalf of employees	137,751,502.54	119,614,551.65
Cash paid for all types of taxes	74,309,844.00	12,480,829.87
Cash paid relating to other operating activities	21,743,250.98	40,780,065.82
Sub-total of cash outflows from operating activities	1,711,598,207.92	1,663,929,797.76
Net cash flows from operating activities	75,685,814.30	73,406,210.03
2. Cash flows from investing activities		
Cash received from redemption of investments	640,000,000.00	740,000,000.00
Cash received from income on investments	20,274,508.77	14,750,191.35
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,499.98	1,700.00
Sub-total of cash inflows from investing activities	660,278,008.75	754,751,891.35
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets	106,732,820.44	36,405,285.26
Cash paid for acquisition of investments	100,000,000.00	750,000,000.00
Sub-total of cash outflows from investing activities	206,732,820.44	786,405,285.26
Net cash flows from/(used in) investing activities	453,545,188.31	(31,653,393.91)

STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2021

Renminbi Yuan

	2021	2020
3. Cash flows from financing activities		
Sub-total of cash inflows from financing activities	–	–
Cash payments for distribution of dividends or profit and interest expenses	92,006,494.51	–
Sub-total of cash outflows from financing activities	92,006,494.51	–
Net cash flows used in financing activities	(92,006,494.51)	–
4. Effect of foreign exchange rate changes on cash and cash equivalents	–	–
5. Net increase in cash and cash equivalents	437,224,508.10	41,752,816.12
Add: Cash and cash equivalents at beginning of the year	499,288,028.54	457,535,212.42
6. Cash and cash equivalents at end of the year	936,512,536.64	499,288,028.54

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

Renminbi Yuan

I. BASIC INFORMATION

Tianjin Jinran Public Utilities Company Limited (the “Company”), formerly named Tianjin Tianlian Public Utilities Company Limited (天津天聯公用事業股份有限公司), is a joint stock limited company registered in Tianjin, the People’s Republic of China (the “PRC”) on 16 December 1998 and its predecessor is Tianjin Tianlian Gas Company Limited (天津市天聯天然氣有限公司). The Company’s overseas listed foreign shares (“H Shares”) were listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s headquarters is located at No.18 Zhengzhou Road, Heping District, Tianjin.

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

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

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

The Company issued 300,000,000 H Shares and converted 30,000,000 Domestic Shares into H Shares by way of placing at a price of HKD0.25 per share (par value of RMB0.1 each) for listing of H Shares on the Growth Enterprise Market (the “GEM”) of the Stock Exchange on 9 January 2004. The Company received net proceeds, after deducting all relevant share issue expenses, of RMB64,667,255.43 from the new issue of shares by way of public offer and placing (including share capital of RMB33,000,000.00 and share premium of RMB31,667,255.43).

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

I. BASIC INFORMATION *(continued)*

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

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

On 13 March 2008, the Company issued 154,600,000 H Shares at a price of HKD1.90 per share (par value of RMB0.1 each) and converted 15,460,000 Domestic Shares into H Shares by way of placing of new shares on the GEM of the Stock Exchange. The Company received net proceeds, after deducting all relevant share issue expenses, of RMB253,009,696.34 (including the premium of RMB236,003,696.34).

Pursuant to the announcement of the Company dated on 5 October 2009, the Company entered into an Assets Acquisition Agreement with Tianjin Gas, pursuant to which the Company conditionally agreed to acquire assets with fair value of RMB590,001,734.68 from Tianjin Gas. The value of shares is estimated based on the valuation of transferred asset conducted by valuer. To satisfy the consideration, the Company issued 689,707,800 Domestic Shares (par value of RMB0.1 each) to Tianjin Gas on 7 April 2011 and the transaction was completed on 11 April 2011. The Domestic Shares enjoy equal interests as that of the H Shares. Upon the completion of the transaction, the total issued share capital of the Company increased to RMB183.93 million. For details of share capital contribution, please refer to Note V.19.

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

I. BASIC INFORMATION *(continued)*

On 1 September 2014, Tianjin Gas and Tianjin Wanshun entered into a share transfer agreement for the transfer of 235,925,000 Domestic Shares (representing 12.82% of the total issued share capital of the Company) held by Tianjin Wanshun to Tianjin Gas at a price of RMB0.50 per share amounting to a total consideration of RMB117,962,500.00. The share transfer was completed on 11 February 2015. Since then, Tianjin Gas held 64.12%, increased from 51.3%, of the total issued share capital of the Company, and Tianjin Wanshun was no longer a shareholder of the Company.

On 16 October 2014, Tianjin Gas and Tianjin Beacon Coatings Company Limited (天津燈塔塗料有限公司) (“Beacon Coatings”) entered into a share transfer agreement for the transfer of 118,105,313 Domestic Shares (representing 6.42% of the total issued share capital of the Company) held by Beacon Coatings to Tianjin Gas at nil consideration, subject to the obtaining of the approvals from the relevant government authorities. The share transfer was completed on 20 June 2016, upon the completion of the registration procedures of the share transfer, Tianjin Gas held 70.54%, increased from 64.12%, of the total issued share capital of the Company, and Beacon Coatings was no longer a shareholder of the Company.

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

Pursuant to the announcement of the Company dated on 1 April 2020, the registration of the transfer of all equity interests in Tianjin Energy held by the State-owned Assets Supervision Commission of Tianjin Municipal Government to Tianjin State-owned Capital Investment Management Co., Ltd. (天津國有資本投資運營有限公司) (“Tianjin Capital”) has been completed. Immediately following the completion of the aforesaid equity transfer, the Company’s holding company became Tianjin Gas, the Company’s ultimate holding company became Tianjin Capital, and all shares were held by the State-owned Assets Supervision Commission of Tianjin Municipal Government.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

I. BASIC INFORMATION *(continued)*

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are operation of gas; installation and repair of gas-fired appliance; gas vehicle refuelling business (operated by branch offices); various types of engineering construction activities (for items that are subject to approval in accordance with the laws, business activities can only be conducted after obtaining approval(s) from the relevant departments, and the actual business projects as approved under the approval documents or licence documents granted by the relevant departments shall prevail); technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; exclusive insurance agency business within the scope of the insurance company’s authorisation (operating under the authorisation); sales agent; lease of non-residential real estate; sales of non-electric household appliances; pipeline transportation over land; lease of special equipment (except for the items subject to approval by laws, business activities can be carried out independently with the business licence in accordance with the laws); science and technology intermediary services; information consulting services; and mining investment.

These financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2022. According to the articles of association of the Company, the financial statements will be submitted to the shareholders’ meeting for approval.

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely, the financial position of the Group and the Company as at 31 December 2021 and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

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

3. Functional currency

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

4. Business combinations

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

Business combinations involving entities under common control

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

4. Business combinations *(continued)*

Business combinations involving entities under common control *(continued)*

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

Business combinations not involving entities under common control

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

5. Consolidated financial statements

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

6. Cash and cash equivalents

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

7. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Recognition and derecognition of financial instruments *(continued)*

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

Classification and measurement of financial assets

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

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

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

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

Debt instrument investments measured at amortised cost

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Subsequent measurement of a financial asset is determined by its category as follows: *(continued)*

Debt investments at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

Except for the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, other financial assets are classified as financial assets measured at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the current period.

Classification and measurement of financial liabilities

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

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

Other financial liabilities

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Impairment of financial instruments

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

7. Financial instruments *(continued)*

Offsetting of financial instruments

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

Transfer of financial assets

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

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

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

8. Inventories

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

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

The Group adopts a perpetual inventory system.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021
Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

8. Inventories *(continued)*

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

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

9. Long-term equity investments

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

10. Fixed assets

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

11. Construction in progress

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

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

12. Right-of-use assets

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

13. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

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

The useful lives of the intangible assets are as follows:

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

14. Impairment of assets

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

14. Impairment of assets *(continued)*

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

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

15. Employee benefits

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

Short-term benefits

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

Post-employment benefits (Defined contribution plan)

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

15. Employee benefits *(continued)*

Termination benefits

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

16. Lease liabilities

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021
Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

17. Provisions

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

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

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

18. Revenue from contracts with customers

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

Revenue from sales of goods contracts

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

Revenue from gas connection contracts

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

19. Contract assets and contract liabilities

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

Contract assets

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

Contract liabilities

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

20. Government grants

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

21. Income tax

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

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

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined according to related tax laws for tax purposes but which have not been recognised as assets and liabilities, deferred taxes are provided using the balance sheet liability method.

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

- (1) Where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

21. Income tax *(continued)*

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

- (1) Where the deductible temporary differences arise from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected;
- (2) In respect of the deductible temporary differences associated with investments in subsidiaries and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

22. Leases

Identification of leases

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

Assessment of the lease term

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

In the case of the lessee

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

Short-term leases

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

22. Leases *(continued)*

In the case of the lessor

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

In the case of the lessor of an operating lease

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

23. Distribution of profit

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

24. Safety production funds

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

25. Fair value measurement

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation on each balance sheet date.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

26. Significant accounting judgements and estimates

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

Judgements

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

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

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

The contractual cash flow characteristics

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(continued)

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

Estimation uncertainty

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

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgements and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

Deferred tax assets

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

IV. TAXES

1. Major categories of taxes and respective tax rates

Value-added tax (VAT)	–	The Group's revenue from sales of piped gas, gas connection and gas transportation and rent is taxable to output VAT at a tax rate of 9% and other revenues are taxable to output VAT at a tax rate of 13% which was levied after deducting deductible input VAT for the current period.
City maintenance and construction tax	–	It is levied at 7% on the turnover taxes paid.
Education supplementary tax	–	It is levied at 3% on the turnover taxes paid.
Local education supplementary tax	–	It is levied at 2% on the turnover taxes paid.
Corporate income tax	–	Corporate income tax is levied at 25% on the taxable profit.

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2021	2020
Cash	9,287.17	11,598.44
Cash at banks	1,149,994,759.10	1,254,975,016.84
Other monetary funds	943,952.72	941,086.98
	1,150,947,998.99	1,255,927,702.26

As at 31 December 2021, the Group had unpledged over 6-month fixed deposits of RMB213,414,312.33, which cannot be readily withdrawn on demand (31 December 2020: RMB755,582,657.53).

As at 31 December 2021, the Group had no cash at banks balances which were deposited in a frozen bank account (31 December 2020: RMB17,504.00).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

1. Cash and bank balances (continued)

As at 31 December 2021, the cash and bank balances amounting to RMB943,952.72 were restricted as guarantee deposits for environment protection (31 December 2020: RMB941,086.98). Refer to Note V.13 for the details.

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for time deposits were over 6 months to two years depending on the cash requirements of the Group and earn interest income at the respective banks' time deposit rates.

2. Trade receivables

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

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

	2021	2020
Within 1 year	158,322,786.06	142,330,792.68
1 to 2 years	3,826,207.83	11,744,957.36
2 to 3 years	334,271.98	307,200.00
Over 3 years	10,820,128.61	10,629,318.13
	173,303,394.48	165,012,268.17
Less: Provision for bad debts of trade receivables	16,013,828.04	12,729,409.97
	157,289,566.44	152,282,858.20

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

2. Trade receivables (continued)

The category of trade receivables is analysed below:

	2021				2020				Net carrying amount	
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts			
	Amount	Percentage (%)	Amount	Accruing percentage (%)	Amount	Percentage (%)	Amount	Accruing percentage (%)		
Provision for bad debts on individual basis	15,264,813.04	8.8	15,264,813.04	100.0	-	11,333,177.12	6.9	11,333,177.12	100.0	-
Provision for bad debts by credit risk characteristic group	158,038,581.44	91.2	749,015.00	0.5	157,289,566.44	153,679,091.05	93.1	1,396,232.85	0.9	152,282,858.20
	173,303,394.48	100.0	16,013,828.04	9.2	157,289,566.44	165,012,268.17	100.0	12,729,409.97	7.7	152,282,858.20

The provision for bad debts of trade receivables by credit risk characteristic group is as follows:

	2021			2020		
	Estimated carrying amount arising from default	Expected credit loss rate (%)	Lifetime expected credit loss	Estimated carrying amount arising from default	Expected credit loss rate (%)	Lifetime expected credit loss
1 to 6 months	143,348,795.64	-	-	137,393,116.54	-	-
6 months to 1 year	14,578,798.77	5.0%	728,939.94	4,842,718.14	5.0%	242,135.91
1 to 2 years	81,065.83	10.0%	8,106.58	11,410,685.36	10.0%	1,141,068.54
2 to 3 years	-	20.0%	-	-	20.0%	-
Over 3 years	29,921.20	40.0%	11,968.48	32,571.01	40.0%	13,028.40
	158,038,581.44	0.5%	749,015.00	153,679,091.05	0.9%	1,396,232.85

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

2. Trade receivables (continued)

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

	Opening balance	Provision for the year	Reversal during the year	Closing balance
2021	12,729,409.97	4,793,272.42	(1,508,854.35)	16,013,828.04
2020	11,504,642.48	1,254,767.49	(30,000.00)	12,729,409.97

In 2021, the Group provided bad debts of RMB4,793,272.42 (2020: RMB1,254,767.49), and reversed bad debts of RMB1,508,854.35 (2020: RMB30,000.00).

3. Receivables financing

	2021	2020
Bank acceptance bills receivable	47,215,625.61	52,544,172.97
	47,215,625.61	52,544,172.97

4. Prepayments

The ageing of prepayments is analysed below:

	2021		2020	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	963,883.57	79	1,255,804.06	90
Over 1 year	255,598.84	21	136,099.55	10
	1,219,482.41	100	1,391,903.61	100

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

5. Other receivables

The ageing of other receivables is analysed below:

	2021	2020
Within 1 year	3,515,181.91	2,382,700.17
1 to 2 years	834,299.88	214,347.97
2 to 3 years	144,963.88	–
Over 3 years	2,669,401.29	2,669,401.29
	7,163,846.96	5,266,449.43
Less: Provision for bad debts of other receivables	2,488,941.29	2,488,941.29
	4,674,905.67	2,777,508.14

Other receivables by nature are as follows:

	2021	2020
Employees' borrowings	653,324.06	649,132.15
Subsidy	2,972,972.97	–
Deposits and others	3,537,549.93	4,617,317.28
	7,163,846.96	5,266,449.43

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

5. Other receivables (continued)

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

2021

	Stage 1 Expected credit losses over the next 12 months	Total
Opening balance	2,488,941.29	2,488,941.29
Provision for the year	—	—
Reversal during the year	—	—
Transfer during the year	—	—
Write-off during the year	—	—
Closing balance	2,488,941.29	2,488,941.29

2020

	Stage 1 Expected credit losses over the next 12 months	Total
Opening balance	2,488,941.29	2,488,941.29
Provision for the year	—	—
Reversal during the year	—	—
Transfer during the year	—	—
Write-off during the year	—	—
Closing balance	2,488,941.29	2,488,941.29

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

5. Other receivables (continued)

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

	Opening balance	Provision for the year	Reversal during the year	Closing balance
2021	2,488,941.29	–	–	2,488,941.29
2020	2,488,941.29	–	–	2,488,941.29

In 2021, the Group provided no bad debts (2020: Nil), and reversed no bad debts (2020: Nil).

6. Inventories

	2021	2020
Gas	185,615.39	193,880.86
Gas appliances	4,476,323.75	5,767,808.14
	4,661,939.14	5,961,689.00

As at 31 December 2021, the management of the Group considered that there was no provision for impairment of inventories (31 December 2020: Nil).

7. Other current assets

	2021	2020
Prepaid income tax	874,939.24	1,760,876.22
Input VAT to be credited	86,805.56	–
Input VAT to be certified	22,276,102.67	27,645,108.15
	23,237,847.47	29,405,984.37

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

8. Long-term equity investments

2021

	Current year movements						Closing balance	Year-end provision for impairment
	Opening balance	Increase in investment	Decrease in investment	Investment income/loss under the equity method	Other equity movement	Cash dividends announced		
Associate 天津市濱海燃氣有限公司	49,037,075.45	-	-	723,962.36	(121,111.28)	(503,951.69)	49,135,974.84	-

2020

	Current year movements						Closing balance	Year-end provision for impairment
	Opening balance	Increase in investment	Decrease in investment	Investment income/loss under the equity method	Other equity movement	Cash dividends announced		
Associate 天津市濱海燃氣有限公司	49,157,852.84	-	-	902,962.26	136,298.39	(1,160,038.04)	49,037,075.45	-

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

9. Fixed assets

	2021	2020
Fixed assets	855,200,570.69	857,776,529.22
Disposal of fixed assets	1,143,444.76	1,143,444.76
	856,344,015.45	858,919,973.98

Fixed assets

2021

	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening balance	48,990,991.60	1,226,201,315.49	183,064,852.51	6,228,856.40	10,239,104.71	4,558,482.24	1,479,283,602.95
Purchase	-	8,473,873.79	39,630,325.34	86,545.34	965,671.06	-	49,156,415.53
Transferred from construction in progress	-	19,626,558.24	150,100.84	-	-	-	19,776,659.08
Disposal or scrap	-	10,657,917.05	2,873,749.84	824,021.33	109,909.71	-	14,465,597.93
Closing balance	48,990,991.60	1,243,643,830.47	219,971,528.85	5,491,380.41	11,094,866.06	4,558,482.24	1,533,751,079.63
Accumulated depreciation							
Opening balance	15,651,060.00	536,137,032.78	48,038,518.63	5,290,016.46	5,765,074.20	2,747,063.24	613,628,765.31
Provision	1,137,492.09	47,717,228.86	11,092,647.32	206,156.62	854,126.67	-	61,007,651.56
Disposal or scrap	-	508,091.09	2,586,374.86	770,831.66	98,918.74	-	3,964,216.35
Closing balance	16,788,552.09	583,346,170.55	56,544,791.09	4,725,341.42	6,520,282.13	2,747,063.24	670,672,200.52
Impairment provision							
Opening balance	-	-	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Provision	-	-	-	-	-	-	-
Disposal or scrap	-	-	-	-	-	-	-
Closing balance	-	-	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Net carrying amount							
At end of the year	32,202,439.51	660,297,659.92	157,432,229.51	706,322.11	4,561,919.64	-	855,200,570.69
At beginning of the year	33,339,931.60	690,064,282.71	129,031,825.63	879,123.06	4,461,366.22	-	857,776,529.22

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

9. Fixed assets (continued)

Fixed assets (continued)

2020

	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening balance	48,957,958.58	1,220,969,204.02	146,401,358.32	6,373,151.43	8,917,314.76	4,558,482.24	1,436,177,469.35
Purchase	33,033.02	1,921,415.21	40,394,948.76	29,504.97	1,743,555.33	-	44,122,457.29
Transferred from construction in progress	-	10,177,932.55	-	-	-	-	10,177,932.55
Disposal or scrap	-	6,867,236.29	3,731,454.57	173,800.00	421,765.38	-	11,194,256.24
Closing balance	48,990,991.60	1,226,201,315.49	183,064,852.51	6,228,856.40	10,239,104.71	4,558,482.24	1,479,283,602.95
Accumulated depreciation							
Opening balance	14,514,788.64	491,438,746.08	43,498,897.76	5,088,188.40	5,364,452.63	2,747,063.24	562,652,136.75
Provision	1,136,271.36	47,453,392.57	7,501,834.48	315,480.06	780,210.42	-	57,187,188.89
Disposal or scrap	-	2,755,105.87	2,962,213.61	113,652.00	379,588.85	-	6,210,560.33
Closing balance	15,651,060.00	536,137,032.78	48,038,518.63	5,290,016.46	5,765,074.20	2,747,063.24	613,628,765.31
Impairment provision							
Opening balance	-	-	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Provision	-	-	-	-	-	-	-
Disposal or scrap	-	-	-	-	-	-	-
Closing balance	-	-	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Net carrying amount							
At end of the year	33,339,931.60	690,064,282.71	129,031,825.63	879,123.06	4,461,366.22	-	857,776,529.22
At beginning of the year	34,443,169.94	729,530,457.94	96,907,952.31	1,225,246.15	3,540,197.84	-	865,647,024.18

As at 31 December 2021, the Group had no fixed assets pending certificates of property ownership (31 December 2020: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021
Renminbi Yuan

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

9. Fixed assets (continued)

Fixed assets (continued)

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

2021

	Pipelines	Total
Cost		
Opening balance	153,025,579.72	153,025,579.72
Purchase	–	–
Transferred from construction in progress	–	–
Disposal or scrap	–	–
Closing balance	153,025,579.72	153,025,579.72
Accumulated depreciation		
Opening balance	48,457,649.90	48,457,649.90
Provision	4,542,443.52	4,542,443.52
Disposal or scrap	–	–
Closing balance	53,000,093.42	53,000,093.42
Impairment provision		
Opening balance	–	–
Provision	–	–
Disposal or scrap	–	–
Closing balance	–	–
Net carrying amount		
At end of the year	100,025,486.30	100,025,486.30
At beginning of the year	104,567,929.82	104,567,929.82

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

9. Fixed assets (continued)

Fixed assets (continued)

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

2020

	Pipelines	Total
Cost		
Opening balance	153,025,579.72	153,025,579.72
Purchase	–	–
Transferred from construction in progress	–	–
Disposal or scrap	–	–
Closing balance	153,025,579.72	153,025,579.72
Accumulated depreciation		
Opening balance	43,915,206.38	43,915,206.38
Provision	4,542,443.52	4,542,443.52
Disposal or scrap	–	–
Closing balance	48,457,649.90	48,457,649.90
Impairment provision		
Opening balance	–	–
Provision	–	–
Disposal or scrap	–	–
Closing balance	–	–
Net carrying amount		
At end of the year	104,567,929.82	104,567,929.82
At beginning of the year	109,110,373.34	109,110,373.34

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

9. Fixed assets (continued)

Disposal of fixed assets

	2021	2020
Pipelines	1,143,444.76	1,143,444.76
	1,143,444.76	1,143,444.76

10. Construction in progress

The Group had no construction materials.

Construction in progress

	2021			2020		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Buildings	2,138,040.00	-	2,138,040.00	2,138,040.00	-	2,138,040.00
Pipeline reconstruction	2,257,639.57	-	2,257,639.57	74,346.67	-	74,346.67
Gas stations and others	1,512,668.61	(1,035,000.00)	477,668.61	1,115,502.20	(1,035,000.00)	80,502.20
Mines	408,920.27	(408,920.27)	-	408,920.27	(408,920.27)	-
	6,317,268.45	(1,443,920.27)	4,873,348.18	3,736,809.14	(1,443,920.27)	2,292,888.87

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

10. Construction in progress (continued)

Construction in progress (continued)

The movements of construction in progress in 2021 are as follows:

	Opening balance	Addition	Transferred to fixed assets/ intangible assets	Other transfer out	Closing balance
Buildings	2,138,040.00	-	-	-	2,138,040.00
Pipeline reconstruction	74,346.67	20,314,767.59	18,131,474.69	-	2,257,639.57
Gas stations and others	1,115,502.20	3,656,908.07	1,645,184.39	1,614,557.27	1,512,668.61
Mines	408,920.27	-	-	-	408,920.27
	3,736,809.14	23,971,675.66	19,776,659.08	1,614,557.27	6,317,268.45

The movements of construction in progress in 2020 are as follows:

	Opening balance	Addition	Transferred to fixed assets/ intangible assets	Other transfer out	Closing balance
Buildings	2,138,040.00	-	-	-	2,138,040.00
Pipeline reconstruction	-	9,870,646.19	9,796,299.52	-	74,346.67
Gas stations and others	1,810,688.81	441,163.40	1,136,350.01	-	1,115,502.20
Mines	408,920.27	-	-	-	408,920.27
	4,357,649.08	10,311,809.59	10,932,649.53	-	3,736,809.14

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

11. Intangible assets

2021

	Land use rights	Software licences	Mineral rights	Total
Cost				
Opening balance	14,316,891.30	1,491,059.06	16,765,984.00	32,573,934.36
Purchase	–	192,477.88	–	192,477.88
Transferred from construction in progress	–	–	–	–
Closing balance	14,316,891.30	1,683,536.94	16,765,984.00	32,766,412.24
Accumulated amortisation				
Opening balance	3,697,676.38	393,809.48	7,243,935.07	11,335,420.93
Provision	302,213.38	157,010.02	–	459,223.40
Closing balance	3,999,889.76	550,819.50	7,243,935.07	11,794,644.33
Impairment provision				
Opening balance	–	–	9,522,048.93	9,522,048.93
Provision	–	–	–	–
Closing balance	–	–	9,522,048.93	9,522,048.93
Net carrying amount				
At end of the year	10,317,001.54	1,132,717.44	–	11,449,718.98
At beginning of the year	10,619,214.92	1,097,249.58	–	11,716,464.50

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

11. Intangible assets (continued)

2020

	Land use rights	Software licences	Mineral rights	Total
Cost				
Opening balance	14,316,891.30	725,704.91	16,765,984.00	31,808,580.21
Purchase	–	10,637.17	–	10,637.17
Transferred from construction in progress	–	754,716.98	–	754,716.98
Closing balance	14,316,891.30	1,491,059.06	16,765,984.00	32,573,934.36
Accumulated amortisation				
Opening balance	3,395,463.01	278,192.42	7,243,935.07	10,917,590.50
Provision	302,213.37	115,617.06	–	417,830.43
Closing balance	3,697,676.38	393,809.48	7,243,935.07	11,335,420.93
Impairment provision				
Opening balance	–	–	9,522,048.93	9,522,048.93
Provision	–	–	–	–
Closing balance	–	–	9,522,048.93	9,522,048.93
Net carrying amount				
At end of the year	10,619,214.92	1,097,249.58	–	11,716,464.50
At beginning of the year	10,921,428.29	447,512.49	–	11,368,940.78

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

12. Deferred tax assets

Deferred tax assets balances are as follows:

	2021		2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	18,502,769.33	4,625,692.33	15,218,351.26	3,804,587.81
Provision for impairment of fixed assets	5,722,041.27	1,430,510.32	5,722,041.27	1,430,510.32
Provision for impairment of construction in progress	1,035,000.00	258,750.00	1,035,000.00	258,750.00
Deductible losses	10,569,180.47	2,642,295.12	18,717,991.14	4,679,497.79
Deferred income	101,466,274.03	25,366,568.51	103,891,515.73	25,972,878.93
	137,295,265.10	34,323,816.28	144,584,899.40	36,146,224.85

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

	2021	2020
Deductible temporary differences	12,087,236.35	12,087,236.35
Deductible losses	7,505,367.43	9,434,792.21
	19,592,603.78	21,522,028.56

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

	2021	2020
2021	–	2,716,949.82
2022	2,569,148.35	2,569,148.35
2023	1,553,395.38	1,553,395.38
2024	1,606,447.25	1,606,447.25
2025	988,851.41	988,851.41
2026	787,525.04	–
	7,505,367.43	9,434,792.21

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

13. Assets restricted by ownership

	2021	2020
Other monetary funds	943,952.72	941,086.98

At 31 December 2021, deposits of RMB943,952.72 were restricted as guarantee deposits for environment protection by the government in Industrial and Commercial Bank of China Kaili Tianyi sub-branch (31 December 2020: RMB941,086.98).

14. Trade payables

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

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

	2021	2020
Within 1 year	152,575,459.64	181,036,283.48
1 to 2 years	31,837,262.82	27,240,977.73
Over 2 years	16,072,058.72	8,942,387.75
	200,484,781.18	217,219,648.96

15. Contract liabilities

	2021	2020
Deposits for sales of piped gas	208,702,409.33	223,513,165.32
Advances from gas connection	78,906,718.11	72,102,284.75
Advances from sales of gas appliances	7,519,911.50	9,259,550.96
Others	122,686.54	152,205.57
	295,251,725.48	305,027,206.60

Contract liabilities mainly include the amount of pipeline gas charges that the Group requires customers to deposit in advance, and payments received by the Group to provide gas connections services and sales of gas appliances. The decrease in contract liabilities in 2021 was mainly due to the decrease in advances received from customers in relation to the sales of piped gas and sales of gas appliances at the end of the year.

For details of information about revenue recognised that was included in contract liabilities at the beginning of the year and information about the Group's performance obligations, please refer to Note V.24. Revenue and cost of sales.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

16. Employee benefits payable

2021

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	15,509,947.63	123,197,618.86	122,408,183.18	16,299,383.31
Post-employment benefits (defined contribution plan)	1,933.19	15,095,451.77	15,102,116.97	(4,732.01)
Termination benefits	–	24,015.81	24,015.81	–
	15,511,880.82	138,317,086.44	137,534,315.96	16,294,651.30

2020

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	16,948,575.31	116,973,901.92	118,412,529.60	15,509,947.63
Post-employment benefits (defined contribution plan)	(4,732.04)	1,351,500.57	1,344,835.34	1,933.19
	16,943,843.27	118,325,402.49	119,757,364.94	15,511,880.82

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

16. Employee benefits payable (continued)

Details of short-term benefits are as follows:

2021

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	11,757,961.96	100,489,489.03	99,704,333.64	12,543,117.35
Employee bonus and welfare fund	3,001,223.34	–	–	3,001,223.34
Social insurance	26,762.00	9,954,054.64	9,955,664.88	25,151.76
Including: Medical insurance	27,562.00	9,098,905.20	9,100,515.44	25,951.76
Work injury insurance	(800.00)	408,788.87	408,788.87	(800.00)
Maternity insurance	–	446,360.57	446,360.57	–
Housing fund	27,788.35	10,649,730.00	10,658,544.00	18,974.35
Union fund and employee education fund	696,211.98	2,104,345.19	2,089,640.66	710,916.51
	15,509,947.63	123,197,618.86	122,408,183.18	16,299,383.31

2020

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	13,168,918.17	97,085,006.65	98,495,962.86	11,757,961.96
Employee bonus and welfare fund	3,001,223.34	–	–	3,001,223.34
Social insurance	25,187.75	7,435,666.09	7,434,091.84	26,762.00
Including: Medical insurance	25,987.75	6,963,159.11	6,961,584.86	27,562.00
Work injury insurance	(800.00)	48,079.60	48,079.60	(800.00)
Maternity insurance	–	424,427.38	424,427.38	–
Housing fund	(1,789.65)	10,427,332.74	10,397,754.74	27,788.35
Union fund and employee education fund	755,035.70	2,025,896.44	2,084,720.16	696,211.98
	16,948,575.31	116,973,901.92	118,412,529.60	15,509,947.63

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

16. Employee benefits payable (continued)

Details of defined contribution plan are as follows:

2021

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	9,584.07	14,638,158.96	14,644,432.08	3,310.95
Unemployment insurance	(7,650.88)	457,292.81	457,684.89	(8,042.96)
	1,933.19	15,095,451.77	15,102,116.97	(4,732.01)

2020

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	3,310.95	1,308,885.93	1,302,612.81	9,584.07
Unemployment insurance	(8,042.99)	42,614.64	42,222.53	(7,650.88)
	(4,732.04)	1,351,500.57	1,344,835.34	1,933.19

The employees employed by the Group are members of the state-managed defined contribution plan operated by the Chinese government. The Group is required to contribute a certain percentage of their payroll to the defined contribution plan to fund the contributions. The only obligation of the Group with respect to the defined contribution plan is to make the required contributions under the plan.

As at 31 December 2021, there were no forfeited contributions under the defined contribution plan which may be used by the Group to reduce the existing level of contributions (31 December 2020: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

17. Taxes payable

	2021	2020
Value-added tax	46,120,346.91	48,433,401.26
Others	849,080.93	1,213,650.77
	46,969,427.84	49,647,052.03

18. Deferred income

	2021	2020
Government grants related to assets/income		
Opening balance	103,891,515.73	107,083,734.91
Increase	2,972,972.97	4,060,000.00
Recognised	4,970,914.67	4,709,464.66
Decrease	427,300.00	2,542,754.52
Closing balance	101,466,274.03	103,891,515.73

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

18. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2021 are listed as follows:

	Opening balance	Increase	Recognised as other income	Other changes	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	3,076,944.66	-	(180,999.00)	-	2,895,945.66	Asset
富力桃園 medium pressure pipeline	3,642,224.91	-	(468,886.44)	-	3,173,338.47	Asset
Pipeline reconstruction of 2014	8,041,358.78	-	(409,845.50)	-	7,631,513.28	Asset/income
Pipeline reconstruction of 2015	9,864,695.75	-	(483,120.37)	-	9,381,575.38	Asset/income
Pipeline reconstruction of 2016	15,588,224.49	-	(742,749.51)	-	14,845,474.98	Asset/income
Pipeline reconstruction of 2017	15,192,099.52	-	(691,565.70)	-	14,500,533.82	Asset/income
Pipeline reconstruction of 2018	18,968,322.24	-	(805,951.52)	-	18,162,370.72	Asset/income
Pipeline reconstruction of 2019	23,331,620.01	-	(936,360.06)	-	22,395,259.95	Asset
Pipeline reconstruction of 2020	4,053,654.27	-	(144,629.08)	(427,300.00)	3,481,725.19	Asset
Pipeline reconstruction of 2021	-	2,972,972.97	(7,764.89)	-	2,965,208.08	Asset
鄱陽南路睿思路 medium pressure pipeline	2,132,371.10	-	(99,042.60)	-	2,033,328.50	Asset
	103,891,515.73	2,972,972.97	(4,970,914.67)	(427,300.00)	101,466,274.03	

Liabilities relevant to government grants as at 31 December 2020 are listed as follows:

	Opening balance	Increase	Recognised as other income	Other changes	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	3,257,943.69	-	(180,999.03)	-	3,076,944.66	Asset
富力桃園 medium pressure pipeline	4,111,111.28	-	(468,886.37)	-	3,642,224.91	Asset
Pipeline reconstruction of 2014	8,451,204.28	-	(409,845.50)	-	8,041,358.78	Asset/income
Pipeline reconstruction of 2015	10,347,816.12	-	(483,120.37)	-	9,864,695.75	Asset/income
Pipeline reconstruction of 2016	16,330,974.00	-	(742,749.51)	-	15,588,224.49	Asset/income
Pipeline reconstruction of 2017	18,203,102.93	-	(574,513.41)	(2,436,490.00)	15,192,099.52	Asset/income
Pipeline reconstruction of 2018	19,774,273.76	-	(805,951.52)	-	18,968,322.24	Asset/income
Pipeline reconstruction of 2019	24,267,980.07	-	(936,360.06)	-	23,331,620.01	Asset
Pipeline reconstruction of 2020	-	4,060,000.00	(6,345.73)	-	4,053,654.27	Asset
Connecting pipe renovation	102,615.76	-	3,648.76	(106,264.52)	-	Income
鄱陽南路睿思路 medium pressure pipeline	2,236,713.02	-	(104,341.92)	-	2,132,371.10	Asset
	107,083,734.91	4,060,000.00	(4,709,464.66)	(2,542,754.52)	103,891,515.73	

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

19. Share capital

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

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

	2021		2020	
	RMB	Percentage (%)	RMB	Percentage (%)
Tianjin Gas	129,754,780.00	70.54	129,754,780.00	70.54
Public shares	50,006,000.00	27.19	50,006,000.00	27.19
Tang Jie	4,170,000.00	2.27	4,170,000.00	2.27
	183,930,780.00	100.00	183,930,780.00	100.00

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

20. Capital reserve

2021 and 2020

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

21. Specialised reserve

2021

	Opening balance	Increase	Decrease	Closing balance
Safety production funds	419,169.16	–	(121,111.28)	298,057.88

2020

	Opening balance	Increase	Decrease	Closing balance
Safety production funds	282,870.77	136,298.39	–	419,169.16

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

22. Surplus reserve

2021

	Opening balance	Increase	Decrease	Closing balance
Reserve fund and statutory surplus reserves	88,997,873.19	199,235.45	–	89,197,108.64
Enterprise expansion fund	39,080,414.49	–	–	39,080,414.49
	128,078,287.68	199,235.45	–	128,277,523.13

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

22. Surplus reserve (continued)

2020

	Opening balance	Increase	Decrease	Closing balance
Reserve fund	88,593,877.25	403,995.94	–	88,997,873.19
Enterprise expansion fund	38,878,416.48	201,998.01	–	39,080,414.49
	127,472,293.73	605,993.95	–	128,078,287.68

In 2020, pursuant to resolutions of the board of directors, the Company appropriated reserve fund and enterprise expansion fund at 10% and 5% of the net profit of the Group. In June 2021, pursuant to the shareholders' meeting, the Company revised the Articles of Association, according to the revised Articles of Association and the provisions of relevant laws and regulations, the Company appropriates 10% of the net profit to statutory surplus reserves, after offsetting accumulated losses from prior years.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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

23. Retained earnings

	2021	2020
Retained earnings at the beginning of the year	646,616,369.62	660,737,707.61
Net profit/(loss) attributable to shareholders of the Parent	1,431,633.17	(13,515,344.04)
Less: Appropriation to statutory surplus reserves (note 1)	199,235.45	–
Appropriation to reserve fund (note 1)	–	403,995.94
Appropriation to enterprise expansion fund (note 1)	–	201,998.01
Dividend payable on ordinary shares in cash (note 2)	91,965,390.00	–
Other	4,233,373.40	–
Retained earnings at the end of the year	551,650,003.94	646,616,369.62

Note 1: In 2020, pursuant to a resolution of the board of directors, the Company appropriated reserve fund and enterprise expansion fund at 10% and 5% of the net profit of the Group. In June 2021, pursuant to the shareholders' meeting, the Company revised the Articles of Association, according to the revised Articles of Association and the provisions of relevant laws and regulations, the Company appropriates 10% of the net profit to statutory surplus reserves, after offsetting accumulated losses from prior years.

Note 2: Pursuant to the shareholders' meeting held on 25 June 2021, a dividend of RMB0.05 would be paid to all shareholders on each of the 1,839,307,800 shares in issue, amounting to cash dividends of RMB91,965,390.00 in total. The dividends had been paid in mid-2021 and were included in the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

24. Revenue and cost of sales

	2021		2020	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	1,579,769,604.57	1,568,338,292.05	1,344,635,812.33	1,363,634,249.60
	1,579,769,604.57	1,568,338,292.05	1,344,635,812.33	1,363,634,249.60

Revenue is stated as follows:

	2021	2020
Revenue from contracts with customers	1,574,265,017.39	1,339,131,225.17
Rentals	5,504,587.18	5,504,587.16
	1,579,769,604.57	1,344,635,812.33

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

Disaggregation of revenue from contracts with customers is as follows:

	2021
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	1,512,089,594.53
Sales of gas appliances and others	7,118,476.78
Revenue recognised over time	
Gas connection income	53,015,276.65
Gas transportation	2,041,669.43
	1,574,265,017.39

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

24. Revenue and cost of sales (continued)

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

	2020
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	1,279,266,996.45
Sales of gas appliances and others	634,777.17
Revenue recognised over time	
Gas connection income	57,107,337.54
Gas transportation	2,122,114.01
	<u>1,339,131,225.17</u>

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

	2021	2020
Sales of piped gas	180,216,668.17	127,063,955.19
Gas connection income	31,366,747.93	14,800,625.50
Sales of gas appliances and others	4,483,494.57	570,926.55
	<u>216,066,910.67</u>	<u>142,435,507.24</u>

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021
Renminbi Yuan

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

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

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

Sales of piped gas

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

Sales of gas appliances and others

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

Gas connection

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

Gas transportation

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

As at 31 December 2021, the transaction price allocated to the remaining performance obligation was RMB295,237,611.10 (31 December 2020: RMB305,009,696.23) and the Group will recognise this amount as revenue in future upon delivery of the products or based on the progress of completion of gas connection.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

25. Taxes and surcharges

	2021	2020
City maintenance and construction tax	1,072,861.53	873,488.41
Education supplementary tax	757,217.66	623,920.44
Tenure tax	373,943.50	374,072.26
Vehicle use tax	18,721.66	18,574.13
Stamp duty	215,276.67	182,293.73
Property tax	378,094.76	356,639.97
Others	19,437.84	21,160.50
	2,835,553.62	2,450,149.44

26. Administrative expenses

Administrative expenses for the year 2021 included auditors' remuneration of RMB1,135,000.00 (2020: RMB1,085,000.00).

27. Finance costs

	2021	2020
Interest income	(30,349,740.19)	(21,999,557.16)
Foreign exchange differences	41,104.51	–
Others	319,911.76	205,087.47
	(29,988,723.92)	(21,794,469.69)

All the interest income of the Group is generated from current deposits and time deposits under cash and bank balances.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

28. Other income

	2021	2020
Government grants related to daily operation	5,645,680.60	9,330,887.88
	5,645,680.60	9,330,887.88

Government grants related to daily operation are as follows:

	2021	2020	Relevant to asset/income
Deferred income (note 1)	4,970,914.67	4,709,464.66	Asset/income
Tax refund (note 2)	–	4,203,766.24	Income
Others (note 3)	674,765.93	417,656.98	Income
	5,645,680.60	9,330,887.88	

Note 1: The deferred income represented government grants related to the Group's daily operation and pipeline reconstruction projects. Please refer to Note V.18 for more details.

Note 2: According to <南政發(1998)54號> issued by the General Office of Changqing Science, Industry & Trade Zone in Jinnan District, Tianjin, the Group is eligible for tax preferential treatment. No refund was recognised in 2021 (2020: The Group recognised the refund of CIT, IIT and VAT actually received according to the government preferential policy of RMB4,203,766.24).

Note 3: The Group received a subsidy from Human Resources and Social Security Bureau of Heping District, Tianjin for job stabilisation of RMB674,765.93 (2020: RMB417,656.98).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

29. Investment income

	2021	2020
Income from long-term equity investments under the equity method	723,962.36	902,962.26
Income from held-for-trading financial assets held	–	4,411,358.45
	723,962.36	5,314,320.71

30. Credit impairment losses

	2021	2020
Bad debt loss of trade receivables	(3,284,418.07)	(1,224,767.49)
	(3,284,418.07)	(1,224,767.49)

31. Non-operating income

	2021	2020
Others	12,596.38	23,193.32
	12,596.38	23,193.32

32. Non-operating expenses

	2021	2020
Losses on scrap of non-current assets	701,582.08	1,306,425.25
Penalties and compensations	–	280,289.14
Others	4,193,042.65	862,453.84
	4,894,624.73	2,449,168.23

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

33. Expenses by nature

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

	2021	2020
Cost of piped gas purchased	1,335,673,012.28	1,151,178,995.94
Cost of gas connection services	29,410,518.65	28,945,464.90
Cost of gas meters	4,854,293.71	326,150.45
Employee benefits	138,317,086.44	118,325,402.49
Depreciation and amortisation	61,466,874.96	57,605,019.32
Maintenance expenses	18,291,720.20	21,714,030.71
Agency fees	7,330,141.27	6,497,833.64
Labour protection expenses	735,786.76	735,164.53
Vehicle expenses	786,337.32	985,599.40
Others	5,232,961.73	6,491,550.96
	1,602,098,733.32	1,392,805,212.34

34. Income tax expense

	2021	2020
Current income tax expense	–	(1,620.53)
Deferred tax expense	1,822,408.57	(4,187,634.86)
	1,822,408.57	(4,189,255.39)

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

34. Income tax expense (continued)

The reconciliation from total profit/(loss) to income tax expense is as follows:

	2021	2020
Total profit/(loss)	3,027,238.09	(17,830,613.57)
Income tax expense at the statutory or applicable tax rate (note 1)	756,809.52	(4,457,653.39)
Income not subject to tax	(180,990.59)	(225,740.57)
Expenses not deductible for tax	1,049,708.38	287,318.00
Adjustments in respect of current tax of previous periods	–	(1,620.53)
Tax losses utilised from previous periods	–	(38,771.75)
Deductible temporary differences and tax losses not recognised	196,881.26	247,212.85
Tax expense at the Group's effective tax rate	1,822,408.57	(4,189,255.39)

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

35. Earnings/(loss) per share

	2021 RMB/Share	2020 RMB/Share
Basic earnings/(loss) per share		
Continuing operations	0.001	(0.007)
Diluted earnings/(loss) per share		
Continuing operations	0.001	(0.007)

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

The calculation of basic earnings/(loss) per share and diluted earnings/(loss) per share is as follows:

	2021	2020
Earnings/(loss)		
Net profit/(loss) for the year attributable to ordinary shareholders of the Company	1,431,633.17	(13,515,344.04)
Shares		
Weighted average number of ordinary shares in issue of the Company	1,839,307,800.00	1,839,307,800.00

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

36. Supplementary information to the statement of cash flows

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

	2021	2020
Net profit/(loss)	1,204,829.52	(13,641,358.18)
Add: Provisions for asset impairment	3,284,418.07	1,224,767.49
Depreciation of fixed assets	61,007,651.56	57,187,188.89
Amortisation of intangible assets	459,223.40	417,830.43
Increase/(decrease) in deferred income	(2,425,241.70)	(3,192,219.18)
Losses on scrap of fixed assets	701,582.08	1,306,425.25
Finance costs	(17,561,107.37)	(9,227,550.57)
Investment income	(723,962.36)	(5,314,320.71)
(Increase)/decrease in deferred tax assets	1,822,408.57	(4,187,634.86)
(Increase)/decrease in inventories	1,299,749.86	(916,374.96)
(Increase)/decrease in operating receivables	3,109,777.15	128,315,739.34
Increase/(decrease) in operating payables	23,485,257.61	(78,590,720.16)
Net cash flows from operating activities	75,664,586.39	73,381,772.78

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021
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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

Movement in cash and cash equivalents:

	2021	2020
Closing balance of cash	936,589,733.94	499,386,453.75
Less: Opening balance of cash	499,386,453.75	457,658,074.88
Net increase in cash and cash equivalents	437,203,280.19	41,728,378.87

(2) Cash and cash equivalents

	2021	2020
Cash	936,589,733.94	499,386,453.75
Including: Cash on hand	9,287.17	11,598.44
Bank deposits on demand	936,580,446.77	499,374,855.31

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Details of the subsidiaries of the Company are as follows:

	Principal place of business	Place of registration	Nature of Company	Nature of business	Registered capital	Proportion of shareholding (%) Direct/Indirect	Proportion of votes
Newly established or invested							
天津天聯節能科技有限公司 (former name: 天津天聯投資有限公司)	Tianjin, the PRC	Tianjin, the PRC	Limited liability company	Investment	20,000,000.00	100%	100%
Business combination not involving entities under common control							
貴州津維礦業投資有限公司 ("Guizhou Jinwei")	Guizhou, the PRC	Guizhou, the PRC	Limited liability company	Mining business	16,000,000.00	88%	88%
貴州省台江縣國新鉛鋅選礦 有限責任公司 ("Guizhou Guoxin") (note 1)	Guizhou, the PRC	Guizhou, the PRC	Limited liability company	Mining business	5,000,000.00	100%	100%

Note 1: In April 2021, Guizhou Jinwei and Ms. Tang Minqiong entered into share transfer agreement in relation to the sale of 3.50% of the total share capital of Guizhou Guoxin by Ms. Tang Minqiong to Guizhou Jinwei at nil consideration. In July 2021, Guizhou Jinwei and Mr. Wang Guoxin entered into share transfer agreement in relation to the sale of 26.50% of the total share capital of Guizhou Guoxin by Mr. Wang Guoxin to Guizhou Jinwei at nil consideration. The above transactions resulted in an increase of non-controlling interests in the financial statements by RMB4,233,373.40.

2. Interests in an associate

	Principal place of business	Place of registration	Nature of Company	Nature of business	Registered capital	Proportion of shareholding (%) Direct/Indirect	Accounting method
天津市濱海燃氣有限公司	Tianjin, the PRC	Tianjin, the PRC	Limited liability company	Gas sales and transportation	7,200,000.00	30.55%	Equity

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in an associate (continued)

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

	2021	2020
Current assets	75,594,603.47	122,324,691.35
Non-current assets	274,118,815.96	285,083,810.66
Total assets	349,713,419.43	407,408,502.01
Current liabilities	97,800,320.50	146,983,508.74
Non-current liabilities	102,842,384.52	111,678,548.20
Total liabilities	200,642,705.02	258,662,056.94
Net assets	149,070,714.41	148,746,445.07
Net assets portion based on shareholding	45,538,741.49	45,439,842.10
Adjustment	3,597,233.35	3,597,233.35
Carrying amount of investment	49,135,974.84	49,037,075.45
	2021	2020
Revenue	223,315,943.70	194,864,986.07
Income tax expense	1,840,745.77	1,712,044.35
Net profit	2,369,762.20	2,955,686.62
Other comprehensive income	–	–
Total comprehensive income	2,369,762.20	2,955,686.62
Dividends received	503,951.69	1,160,038.04

NOTES TO FINANCIAL STATEMENTS (continued)

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

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

2021

Financial assets

	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Cash and bank balances	1,150,947,998.99	–	1,150,947,998.99
Trade receivables	157,289,566.44	–	157,289,566.44
Receivables financing	–	47,215,625.61	47,215,625.61
Other receivables	4,674,905.67	–	4,674,905.67
	1,312,912,471.10	47,215,625.61	1,360,128,096.71

Financial liabilities

	Financial liabilities measured at amortised cost	Total
Trade payables	200,484,781.18	200,484,781.18
Other payables	31,249,026.50	31,249,026.50
	231,733,807.68	231,733,807.68

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Classification of financial instruments (continued)

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

2020

Financial assets

	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Cash and bank balances	1,255,927,702.26	–	1,255,927,702.26
Trade receivables	152,282,858.20	–	152,282,858.20
Receivables financing	–	52,544,172.97	52,544,172.97
Other receivables	2,777,508.14	–	2,777,508.14
	<u>1,410,988,068.60</u>	<u>52,544,172.97</u>	<u>1,463,532,241.57</u>

Financial liabilities

	Financial liabilities measured at amortised cost	Total
Trade payables	217,219,648.96	217,219,648.96
Other payables	22,567,117.17	22,567,117.17
	<u>239,786,766.13</u>	<u>239,786,766.13</u>

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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

2. Risks arising from financial instruments

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

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

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

Credit risk

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Credit risk (continued)

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed according to customers, geographic areas and industries. As at 31 December 2021, the Group had certain concentrations of credit risk as 38% (31 December 2020: 40%) and 77% (31 December 2020: 77%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group did not hold any collateral or other credit enhancements over the balances of trade receivables.

Criteria for judging significant increases in credit risk

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Credit risk (continued)

Definition of credit-impaired financial assets

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

- (1) Significant financial difficulty of the issuer or debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Credit risk (continued)

Parameters of expected credit loss measurement

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

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

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

Exposure to credit risk

As at 31 December 2021 and 31 December 2020, the Group used the expected credit loss rate in making provision for bad debts of receivables according to expected credit losses over 12 months and entire lifetime. Please refer to Note V.2 Trade receivables and Note V.5 Other receivables.

The above-mentioned expected average loss rate is based on historical actual bad debt rate and takes current conditions and forecasts of future economic conditions into consideration. From 1 January 2021 to 31 December 2021, the Group's assessment methods and major assumptions have not changed.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Liquidity risk

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

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

2021

	On demand	Within 3 months	3 months to 1 year	Total
Trade payables	–	200,484,781.18	–	200,484,781.18
Other payables	10,974,939.71	20,274,086.79	–	31,249,026.50
	10,974,939.71	220,758,867.97	–	231,733,807.68

2020

	On demand	Within 3 months	3 months to 1 year	Total
Trade payables	–	217,219,648.96	–	217,219,648.96
Other payables	10,974,939.71	11,592,177.46	–	22,567,117.17
	10,974,939.71	228,811,826.42	–	239,786,766.13

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021
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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits. As the bank deposits of the Group are mainly current deposits and fixed deposits with terms over 3 months, the Group is not exposed to any significant interest rate risk.

3. Capital management

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

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

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

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

	2021	2020
Gearing ratio	29%	29%

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

VIII. FAIR VALUE

1. Assets and liabilities measured at fair value

2021

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Receivables financing	-	47,215,625.61	-	47,215,625.61
	-	47,215,625.61	-	47,215,625.61

2020

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Receivables financing	-	52,544,172.97	-	52,544,172.97
	-	52,544,172.97	-	52,544,172.97

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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VIII. FAIR VALUE (continued)

2. Fair value evaluation

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

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

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

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Place of registration	Nature of business	Registered capital	Proportion of shareholding (%)	Proportion of votes (%)
Tianjin Gas	Tianjin, the PRC	Development, utilisation and marketing of natural gas, coal gas, and liquefied gas	1.337 billion	70.54%	70.54%

The Company's holding company is Tianjin Gas and its ultimate holding company is Tianjin Capital.

On 6 May 2020, Tianjin Capital has charged 100% equity interest in Tianjin Energy (which own 100% equity interest in Tianjin Gas) to China Construction Bank Corporation (Tianjin Branch).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

2. Subsidiaries

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

3. Associate

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

4. Other related parties

Relationship with related parties

Tianjin Energy Investment Company Limited	Parent company of the controlling shareholder
津燃華潤燃氣有限公司	A joint venture of the controlling shareholder
天津華地公用工程建設監理有限公司	An associate of the controlling shareholder
天津濱海燃氣集團有限公司	A subsidiary of the controlling shareholder
天津市燃氣熱力規劃設計研究院有限公司	A subsidiary of the controlling shareholder
天津泰華燃氣有限公司	A subsidiary of the controlling shareholder
天津市液化氣工程有限公司	A subsidiary of the controlling shareholder
天津市裕民燃氣表具有限公司	A subsidiary of the controlling shareholder
天津市聯寅煤氣通信技術有限責任公司	A subsidiary of the controlling shareholder
天津濱海中油燃氣有限責任公司	A subsidiary of the controlling shareholder
天津市益銷燃氣工程發展有限公司	A subsidiary of the controlling shareholder
天津市熱力有限公司	A subsidiary of the controlling shareholder
天津市眾元天然氣工程有限公司	A subsidiary of the controlling shareholder
天津市聯益燃氣配套工程有限責任公司	A subsidiary of the controlling shareholder
天津市液化氣有限責任公司	A subsidiary of the controlling shareholder
天津能源投資集團科技有限公司	A subsidiary of the controlling shareholder
天津津能易安泰科技有限公司	Under a common ultimate controlling company

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

5. Major transactions between the Group and its related parties

(1) Goods and services between related parties

Purchase of piped gas from a related party

	2021	2020
津燃華潤燃氣有限公司	1,333,973,253.92	1,141,446,344.53

Gas transportation and rent services provided to related parties

	2021	2020
天津濱海燃氣集團有限公司	5,504,587.18	5,504,587.16
津燃華潤燃氣有限公司	2,041,669.43	2,122,114.01
	7,546,256.61	7,626,701.17

Sales of piped gas to related parties

	2021	2020
天津泰華燃氣有限公司	193,918,167.46	168,104,780.96
天津市熱力有限公司	2,172,340.96	803,625.71
天津濱海中油燃氣有限責任公司	120,598.10	117,085.21
Tianjin Energy Investment Company Limited	18,078.07	10,597.00
天津市眾元天然氣工程有限公司	7,505.48	7,693.58
天津市益銷燃氣工程發展有限公司	349.80	164.15
	196,237,039.87	169,043,946.61

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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

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

Engineering construction services and gas meter installation services received from related parties

	2021	2020
Engineering construction services received		
天津市液化氣工程有限公司	12,475,049.28	121,587.16
天津市眾元天然氣工程有限公司	3,876,043.21	432,917.54
天津市聯益燃氣配套工程有限責任公司	3,109,876.63	8,372,329.75
天津市益銷燃氣工程發展有限公司	–	2,742.78
	19,460,969.12	8,929,577.23
Gas meter installation services received		
津燃華潤燃氣有限公司	6,808,899.08	8,949,963.30
天津市益銷燃氣工程發展有限公司	3,565,429.45	242,479.82
	10,374,328.53	9,192,443.12

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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

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

Purchase of gas meters from related parties

	2021	2020
津燃華潤燃氣有限公司	20,049,554.86	27,469,115.04
天津市裕民燃氣表具有限公司	5,013,227.48	1,180,398.23
	25,062,782.34	28,649,513.27

Purchase of internet services from related parties

	2021	2020
天津津能易安泰科技有限公司	25,165.09	30,188.68
天津市益銷燃氣工程發展有限公司	–	75,471.70
	25,165.09	105,660.38

Construction design services received from a related party

	2021	2020
天津市燃氣熱力規劃設計研究院有限公司	1,111,536.57	1,116,183.30

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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

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

Purchase of fixed assets from a related party

	2021	2020
天津能源投資集團科技有限公司	605,601.77	–

Rental of buildings from related parties

	2021	2020
天津市液化氣有限責任公司	233,142.87	233,142.87
天津市益銷燃氣工程發展有限公司	89,735.78	79,067.90
	322,878.65	312,210.77

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

(2) Remuneration of key management

	2021	2020
Remuneration of key management	3,519,692.48	3,459,991.06

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

6. Commitments of gas transportation between the Group and related parties

- (1) On 31 January 2016, Tianjin Binhai Gas Group Company Limited (天津濱海燃氣集團有限公司) (“Binhai Gas Group”), a subsidiary of the controlling shareholder, made a written promise of the lease of the high pressure gas pipelines of the Group for natural gas transmission from 1 May 2016.
- (2) On 25 April 2016, Binhai Gas Group and the Group entered into a gas pipeline lease agreement (the “Gas Pipeline Lease Agreement”) in respect of the lease of the high pressure gas pipelines to Binhai Gas Group for natural gas transmission for the period from 1 May 2016 to 30 April 2019. The Group shall have an option, the exercise of which is at its absolute discretion, to renew the Gas Pipeline Lease Agreement based on the same terms and conditions for a further term of two years upon expiration of the original term, from 1 May 2019 to 30 April 2021. The gas pipeline lease fee is RMB6,000,000.00 per year. On 30 April 2019, the Group exercised the option at its absolute direction.
- (3) On 30 April 2021, the Gas Pipeline Lease Agreement has expired. The Group has renewed the Gas Pipeline Lease Agreement for the period from 1 May 2021 with a lease term of 1 year and a lease fee of RMB6,000,000.00 per year.

7. Amounts due from related parties

	2021	2020
Trade receivables		
天津泰華燃氣有限公司	37,018,389.37	33,796,067.01
天津濱海燃氣集團有限公司	3,000,000.00	9,000,000.00
津燃華潤燃氣有限公司	2,225,419.66	2,313,104.25
	42,243,809.03	45,109,171.26

NOTES TO FINANCIAL STATEMENTS (continued)

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

7. Amounts due from related parties (continued)

	2021	2020
Other receivables		
天津能源投資集團有限公司	2,972,972.97	–
津燃華潤燃氣有限公司	984,540.76	2,087,342.56
	3,957,513.73	2,087,342.56

	2021	2020
Prepayments		
天津津能易安泰科技有限公司	100,000.00	100,000.00

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

8. Amounts due to related parties

	2021	2020
Trade payables		
津燃華潤燃氣有限公司	81,500,229.07	108,819,690.06
天津市液化氣工程有限公司	11,438,107.36	410,252.65
天津市益銷燃氣工程發展有限公司	8,389,543.40	4,846,410.20
天津市裕民燃氣表具有限公司	6,524,324.45	4,948,544.13
天津市聯益燃氣配套工程有限責任公司	6,285,772.68	9,037,347.25
天津市眾元天然氣工程有限公司	3,774,641.55	465,366.09
天津市燃氣熱力規劃設計研究院有限公司	2,226,563.03	1,887,962.33
天津華地公用工程建設監理有限公司	1,630,998.90	2,857,404.40
天津能源投資集團科技有限公司	484,481.44	–
	122,254,661.88	133,272,977.11

NOTES TO FINANCIAL STATEMENTS (continued)

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

8. Amounts due to related parties (continued)

	2021	2020
Contract liabilities		
天津市熱力有限公司	983,748.43	1,119,617.34
天津濱海中油燃氣有限責任公司	92,391.28	111,638.75
Tianjin Energy Investment Company Limited	13,507.61	4,212.72
	1,089,647.32	1,235,468.81

	2021	2020
Other payables		
津燃華潤燃氣有限公司	1,296,045.21	2,507,906.42
天津能源投資集團科技有限公司	17,200.00	–
天津市聯寅煤氣通信技術有限責任公司	–	18,950.00
	1,313,245.21	2,526,856.42

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

NOTES TO FINANCIAL STATEMENTS (continued)

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X. COMMITMENTS AND CONTINGENCIES

1. Commitments

	2021	2020
Contracted but not provided for Capital commitments	96,463,798.99	130,466,078.37
	96,463,798.99	130,466,078.37

XI. POST BALANCE SHEET EVENTS

On 10 March 2022, the Company and 津燃華潤燃氣有限公司 entered into the Procurement Agreement and Installation Agreement pursuant to which the Company agreed to entrust 津燃華潤燃氣有限公司 to procure and perform installation work for replacement of 27,825 gas meters at an aggregate maximum procurement price of RMB9,154,425 and an aggregate maximum contract price of RMB3,060,750 respectively.

XII. OTHER SIGNIFICANT EVENTS

1. Segment reporting

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

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

NOTES TO FINANCIAL STATEMENTS (continued)

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XII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Operating segments (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit from continuing operations. The adjusted total profit from continuing operations is measured consistently with the Group's total profit from continuing operations except that interest income, finance costs, dividend income, fair value gains from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

2021

	Sales of piped gas	Gas connection	Gas transportation	Sales of gas appliances and others	Gas pipelines rent	Total
Revenue from external customers	1,512,089,594.53	53,015,276.65	2,041,669.43	7,118,476.78	5,504,587.18	1,579,769,604.57
Operating profit/(loss)	(18,090,585.72)	23,509,600.04	96,961.60	2,127,519.59	952,263.39	8,595,758.90
Add: Other income						5,645,680.60
Investment income						723,962.36
Credit impairment losses						(3,284,418.07)
Asset impairment losses						-
Less: Administrative expenses						33,760,441.27
Finance costs						(29,988,723.92)
Add: Non-operating income						12,596.38
Less: Non-operating expenses						4,894,624.73
Total profit/(loss)						3,027,238.09

NOTES TO FINANCIAL STATEMENTS (continued)

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XII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Operating segments (continued)

2020

	Sales of piped gas	Gas connection	Gas transportation	Sales of gas appliances and others	Gas pipelines rent	Total
Revenue from external customers	1,279,266,996.45	57,107,337.54	2,122,114.01	634,777.17	5,504,587.16	1,344,635,812.33
Operating profit/(loss)	(50,943,187.70)	28,057,813.60	97,219.91	307,470.05	1,032,097.43	(21,448,586.71)
Add: Other income						9,330,887.88
Investment income						5,314,320.71
Credit impairment losses						(1,224,767.49)
Asset impairment losses						-
Less: Administrative expenses						29,170,962.74
Finance costs						(21,794,469.69)
Add: Non-operating income						23,193.32
Less: Non-operating expenses						2,449,168.23
Total profit/(loss)						(17,830,613.57)

No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the board of directors for review.

Other information

Information about products and services

For the revenue classified by category, please refer to Note V.24.

Geographical information

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Other information (continued)

Information about major customers

In 2021, the Group's operating revenue of RMB620,600,983.16 (which accounted for more than 10% of the Group's total revenue) was derived from sales to a single customer (including sales to a group of entities which are known to be under the control of that customer) (2020: RMB526,813,976.53).

2. Leases

(1) As lessor

The Group has entered into operating leases on some of its gas pipelines and the lease term is 1 to 2 years. Please refer to Note IX.6. In 2021, the rental income recognised by the Group on those gas pipelines was RMB5,504,587.18 (2020: RMB5,504,587.16). Please refer to Note V.24.

Operating leases

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

	2021	2020
Rentals	5,504,587.18	5,504,587.16

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

	2021	2020
Within 1 year, inclusive	2,000,000.00	2,000,000.00
	2,000,000.00	2,000,000.00

For fixed assets leased out under operating leases, refer to Note V.9.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

2. Leases (continued)

(2) As lessee

	2021	2020
Expenses relating to short-term leases accounted for current profit or loss under the simplified approach	459,231.87	424,374.79
Total cash outflow for leases	490,112.00	585,876.96

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

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

Other information relating to leases

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

3. Remuneration of directors, supervisors and chief executive

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

	2021	2020
Fees	300,000.00	300,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	901,793.37	878,168.77
Performance related bonuses	475,797.46	671,684.04
Pension scheme contributions	143,948.00	10,922.24
	1,521,538.83	1,560,775.05
	1,821,538.83	1,860,775.05

(1) Independent non-executive directors

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

	2021	2020
Zhang Yinghua	50,000.00	50,000.00
Yu Jianjun	50,000.00	50,000.00
Guo Jiali	50,000.00	50,000.00
	150,000.00	150,000.00

There was no other remuneration payable to the independent non-executive directors during the year (2020: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

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

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

2021

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors:					
Tang Jie	50,000.00	-	-	-	50,000.00
Zhao Wei (note 1)	-	315,167.47	175,979.97	36,638.40	527,785.84
Sun Liangchuan (notes 3 and 6)	-	279,935.47	122,534.82	36,638.40	439,108.69
	50,000.00	595,102.94	298,514.79	73,276.80	1,016,894.53
Non-executive directors:					
Zhao Henghai (note 1)	-	-	-	-	-
Zhang Jinlin (notes 5 and 6)	-	-	-	-	-
Hou Yuling (notes 5 and 8)	-	-	-	-	-
Hou Shuangjiang (note 1)	-	-	-	-	-
	-	-	-	-	-
Supervisors:					
Hao Li (note 7)	-	79,691.91	-	17,504.64	97,196.55
Zhang Tingting (note 7)	-	83,231.44	52,728.67	20,609.12	156,569.23
Xu Hui	50,000.00	-	-	-	50,000.00
Yang Huling (note 7)	-	-	-	-	-
Sun Guoqing (note 7)	-	-	-	-	-
Liu Zhiyuan	50,000.00	-	-	-	50,000.00
You Huiyan	-	143,767.08	124,554.00	32,557.44	300,878.52
	100,000.00	306,690.43	177,282.67	70,671.20	654,644.30
	150,000.00	901,793.37	475,797.46	143,948.00	1,671,538.83

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

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

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

(continued)

2020

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors:					
Tang Jie	50,000.00	-	-	-	50,000.00
Zhao Wei (note 1)	-	299,604.80	221,778.00	2,818.08	524,200.88
Wang Quanhong (notes 1 and 2)	-	140,259.58	221,778.00	2,818.08	364,855.66
Sun Liangchuan (notes 3 and 6)	-	159,345.22	-	-	159,345.22
	50,000.00	599,209.60	443,556.00	5,636.16	1,098,401.76
Non-executive directors:					
Wang Jin (notes 1 and 4)	-	-	-	-	-
Zhao Henghai (note 1)	-	-	-	-	-
Zhang Jinlin (notes 5 and 6)	-	-	-	-	-
Hou Shuangjiang (note 1)	-	-	-	-	-
	-	-	-	-	-
Supervisors:					
Hao Li	-	152,968.32	115,766.08	2,818.08	271,552.48
Xu Hui	50,000.00	-	-	-	50,000.00
Yang Huling	-	-	-	-	-
Liu Zhiyuan	50,000.00	-	-	-	50,000.00
You Huiyan	-	125,990.85	112,361.96	2,468.00	240,820.81
	100,000.00	278,959.17	228,128.04	5,286.08	612,373.29
	150,000.00	878,168.77	671,684.04	10,922.24	1,710,775.05

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

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

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

(continued)

Note 1: These directors have waived their remuneration from 26 June 2018.

Note 2: Mr. Wang Quanhong resigned as the general manager of the Company on 22 May 2020. The Company does not have any officer with the title of “chief executive officer” or “chief executive”, but the duties of the chief executive officer have been carried out by Mr. Wang Quanhong, the general manager of the Company. The emoluments disclosed above include those for services rendered by him as the general manager of the Company. Mr. Wang Quanhong retired as an executive director of the Group on 29 June 2020.

Note 3: Mr. Sun Liangchuan was appointed as the general manager of the Company on 22 May 2020. The Company does not have any officer with the title of “chief executive officer” or “chief executive”, but the duties of the chief executive officer have been carried out by Mr. Sun Liangchuan, the general manager of the Company. The emoluments disclosed above include those for services rendered by him as the general manager of the Company. Mr. Sun Liangchuan was appointed as an executive director of the Group on 29 June 2020.

Note 4: Mr. Wang Jin retired as a non-executive director of the Group on 29 June 2020.

Note 5: Mr. Zhang Jinlin was appointed as a non-executive director of the Group on 29 June 2020 and retired as a non-executive director of the Group on 25 June 2021. Ms. Hou Yuling was appointed as a non-executive director of the Group on 25 June 2021 to fill the vacancy.

Note 6: These directors have waived their remuneration from 29 June 2020.

Note 7: Ms. Hao Li and Mr. Yang Huling retired as supervisors of the Group on 25 June 2021. Ms. Zhang Tingting and Mr. Sun Guoqing were appointed as supervisors of the Group on 25 June 2021 to fill the vacancies.

Note 8: This director has waived her remuneration from 25 June 2021.

Mr. Zhao Wei, Mr. Wang Jin, Mr. Zhao Henghai and Mr. Hou Shuangjiang waived their respective directors' remuneration from 26 June 2018. Mr. Sun Liangchuan and Mr. Zhang Jinlin waived their respective directors' remuneration from 29 June 2020. Ms. Hou Yuling waived her remuneration from 25 June 2021. Save as disclosed, there was no other agreement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

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

(3) Five highest paid employees

The five highest paid employees during the year included two directors (2020: two directors), details of whose remuneration are set out in Note XII.3.(2). Details of remunerations for the year of the remaining three (2020: three) highest paid employees who are not a director or chief executive of the Company are as follows:

	2021	2020
Salaries, allowances and benefits in kind	650,908.58	760,721.40
Performance related bonuses	507,140.17	502,696.00
Pension scheme contributions	100,592.16	11,650.23
	1,258,640.91	1,275,067.63

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

	Number of employees	
	2021	2020
Nil to HK\$1,000,000	3	3

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

1. Trade receivables

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

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

	2021	2020
Within 1 year	158,322,786.06	142,330,792.68
1 to 2 years	3,826,207.83	11,744,957.36
2 to 3 years	334,271.98	307,200.00
Over 3 years	10,820,128.61	10,629,318.13
	173,303,394.48	165,012,268.17
Less: Provision for bad debts of trade receivables	16,013,828.04	12,729,409.97
	157,289,566.44	152,282,858.20

The category of trade receivables is analysed below:

	2021				2020					
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts		Net carrying amount	
	Amount	Percentage (%)	Amount	Accruing percentage (%)	Amount	Percentage (%)	Amount	Accruing percentage (%)	Net carrying amount	
Provision for bad debts on individual basis	15,264,813.04	8.8	15,264,813.04	100.0	-	-	-	-	-	
Provision for bad debts by credit risk characteristic group	158,038,581.44	91.2	749,015.00	0.5	157,289,566.44	153,679,091.05	93.1	1,396,232.85	0.9	152,282,858.20
	173,303,394.48	100.0	16,013,828.04	9.2	157,289,566.44	165,012,268.17	100.0	12,729,409.97	7.7	152,282,858.20

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

1. Trade receivables (continued)

The provision for bad debts of trade receivables by credit risk characteristic group is as follows:

	2021			2020		
	Estimated carrying amount arising from default	Expected credit loss rate (%)	Lifetime expected credit loss	Estimated carrying amount arising from default	Expected credit loss rate (%)	Lifetime expected credit loss
1 to 6 months	143,348,795.64	-	-	137,393,116.54	-	-
6 months to 1 year	14,578,798.77	5.0%	728,939.94	4,842,718.14	5.0%	242,135.91
1 to 2 years	81,065.83	10.0%	8,106.58	11,410,685.36	10.0%	1,141,068.54
2 to 3 years	-	20.0%	-	-	20.0%	-
Over 3 years	29,921.20	40.0%	11,968.48	32,571.01	40.0%	13,028.40
	158,038,581.44	0.5%	749,015.00	153,679,091.05	0.9%	1,396,232.85

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

	Opening balance	Provision for the year	Reversal during the year	Closing balance
2021	12,729,409.97	4,793,272.42	(1,508,854.35)	16,013,828.04
2020	11,504,642.48	1,254,767.49	(30,000.00)	12,729,409.97

In 2021, the Company provided bad debts of RMB4,793,272.42 (2020: RMB1,254,767.49), and reversed bad debts of RMB1,508,854.35 (2020: RMB30,000.00).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

2. Other receivables

The ageing of other receivables is analysed below:

	2021	2020
Within 1 year	4,260,064.18	3,303,354.81
1 to 2 years	1,778,933.72	1,774,715.37
2 to 3 years	1,705,331.28	740,448.00
Over 3 years	3,335,739.79	2,595,291.79
	11,080,068.97	8,413,809.97
Less: Provision for bad debts of other receivables	2,488,941.29	2,488,941.29
	8,591,127.68	5,924,868.68

Other receivables by nature are as follows:

	2021	2020
Employees' borrowings	627,503.26	599,332.15
Subsidy	2,972,972.97	—
Deposits and others	7,479,592.74	7,814,477.82
	11,080,068.97	8,413,809.97

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

2. Other receivables (continued)

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

2021

	Stage 1 Expected credit losses over the next 12 months	Total
Opening balance	2,488,941.29	2,488,941.29
Provision for the year	—	—
Reversal during the year	—	—
Transfer during the year	—	—
Write-off during the year	—	—
Closing balance	2,488,941.29	2,488,941.29

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021
Renminbi Yuan

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

2. Other receivables (continued)

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

2020

	Stage 1 Expected credit losses over the next 12 months	Total
Opening balance	2,488,941.29	2,488,941.29
Provision for the year	–	–
Reversal during the year	–	–
Transfer during the year	–	–
Write-off during the year	–	–
Closing balance	2,488,941.29	2,488,941.29

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

	Opening balance	Provision for the year	Reversal during the year	Closing balance
2021	2,488,941.29	–	–	2,488,941.29
2020	2,488,941.29	–	–	2,488,941.29

In 2021, the Company provided no bad debts (2020: Nil), and reversed no bad debts (2020: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

3. Long-term equity investments

2021

	Opening Balance	Current year movements		Closing balance	Provision for impairment at the end of the year
		Increase	Decrease		
Associate					
天津市濱海燃氣有限公司	49,037,075.45	723,962.36	(625,062.97)	49,135,974.84	-
Subsidiary					
天津天聯節能科技有限公司	20,000,000.00	-	-	20,000,000.00	(20,000,000.00)

2020

	Opening Balance	Current year movements		Closing balance	Provision for impairment at the end of the year
		Increase	Decrease		
Associate					
天津市濱海燃氣有限公司	49,157,852.84	1,039,260.65	(1,160,038.04)	49,037,075.45	-
Subsidiaries					
天津天聯節能科技有限公司	20,000,000.00	-	-	20,000,000.00	(20,000,000.00)
烏蘭察布市乾生天聯公用事業有限 責任公司	600,000.00	-	(600,000.00)	-	-
	20,600,000.00	-	(600,000.00)	20,000,000.00	(20,000,000.00)

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

3. Long-term equity investments (continued)

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

2021

	Opening balance	Increase	Decrease	Closing balance
天津天聯節能科技有限公司	20,000,000.00	–	–	20,000,000.00
	20,000,000.00	–	–	20,000,000.00

2020

	Opening balance	Increase	Decrease	Closing balance
天津天聯節能科技有限公司	20,000,000.00	–	–	20,000,000.00
烏蘭察布市乾生天聯公用 事業有限責任公司	600,000.00	–	(600,000.00)	–
	20,600,000.00	–	(600,000.00)	20,000,000.00

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

4. Revenue and cost of sales

	2021		2020	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	1,579,769,604.57	1,568,338,292.05	1,344,635,812.33	1,363,634,249.60
	1,579,769,604.57	1,568,338,292.05	1,344,635,812.33	1,363,634,249.60

Revenue is stated as follows:

	2021	2020
Revenue from contracts with customers	1,574,265,017.39	1,339,131,225.17
Rentals	5,504,587.18	5,504,587.16
	1,579,769,604.57	1,344,635,812.33

Disaggregation of revenue from contracts with customers is as follows:

	2021
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	1,512,089,594.53
Sales of gas appliances and others	7,118,476.78
Revenue recognised over time	
Gas connection income	53,015,276.65
Gas transportation	2,041,669.43
	1,574,265,017.39

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

4. Revenue and cost of sales (continued)

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

	2020
Revenue recognition	
Revenue recognised at a point in time	
Sales of piped gas	1,279,266,996.45
Sales of gas appliances and others	634,777.17
Revenue recognised over time	
Gas connection income	57,107,337.54
Gas transportation	2,122,114.01
	<u>1,339,131,225.17</u>

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

	2021	2020
Sales of piped gas	180,216,668.17	127,063,955.19
Gas connection income	31,366,747.93	14,800,625.50
Sales of gas appliances and others	4,483,494.57	570,926.55
	<u>216,066,910.67</u>	<u>142,435,507.24</u>

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

Sales of piped gas

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2021

Renminbi Yuan

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

4. Revenue and cost of sales (continued)

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

Sales of gas appliances and others

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

Gas connection

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

Gas transportation

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

As at 31 December 2021, the transaction price allocated to the remaining performance obligation was RMB295,237,611.10 (31 December 2020: RMB305,009,696.23) and the Company will recognise this amount as revenue in future upon delivery of the products or based on the progress of completion of gas connection.

5. Investment income

	2021	2020
Income from long-term equity investments under the equity method	723,962.36	902,962.26
Income from held-for-trading financial assets held	–	4,411,358.45
	723,962.36	5,314,320.71

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2021 RMB'000	Year ended 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	1,579,770	1,344,636	1,501,277	1,519,526	1,469,164
Net profit/(loss) for the year and total comprehensive income for the year	1,205	(13,641)	4,040	39,451	38,673
Net profit/(loss) for the year and total comprehensive income for the year attributable to shareholders of the Parent	1,432	(13,515)	4,383	39,721	40,073

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2021 RMB'000	As at 31 December			
		2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Current assets	1,389,247	1,500,292	1,577,139	1,563,196	1,526,099
Non-current assets	956,127	958,113	961,046	930,389	934,444
Current liabilities	590,250	609,973	673,056	646,996	648,413
Non-current liabilities	101,466	103,892	107,084	91,550	66,590
Equity attributable to shareholders of the Parent	1,654,489	1,749,377	1,762,756	1,759,408	1,749,638