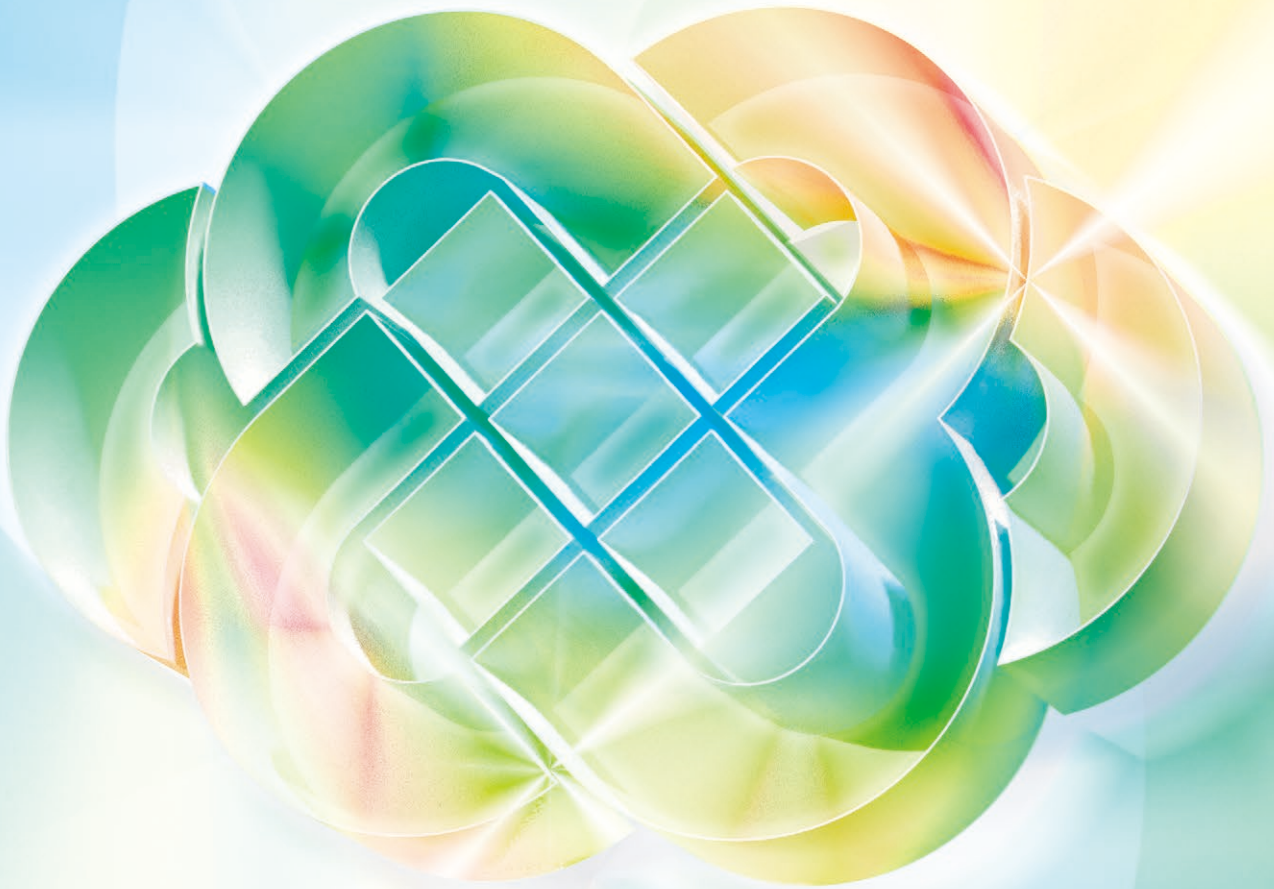


天津津燃公用事業股份有限公司
TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED

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

Stock Code: 1265



Annual Report
2023

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COMPANY INFORMATION

DIRECTORS

Executive Directors

Wang Cong (*Chairman of the Board*)
Tang Jie
Sun Liangchuan

Non-executive Directors

Wu Fang
Guan Na
Zhang Jinghan

Independent Non-executive Directors

Zhang Ying Hua
Yu Jian Jun
Guo Jia Li

SUPERVISORS

Independent Supervisors

Xu Hui
Liu Zhi Yuan

Staff Representative Supervisors

You Hui Yan
Zhang Tingting

Shareholders' Representative Supervisor

Xu Peng

BOARD COMMITTEES

Audit Committee

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

Nomination Committee

Wang Cong (*Chairman*)
Zhang Ying Hua
Yu Jian Jun

Remuneration Committee

Zhang Ying Hua (*Chairman*)
Guo Jia Li
Wu Fang

COMPANY SECRETARY

Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Sun Liangchuan
Lau Kwok Yin

As of the 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

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Nankai District, Tianjin, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

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SHARE REGISTRAR

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PRINCIPAL BANKER

Agricultural Bank of China
Tianjin He Xi Sub-branch
PRC

STOCK CODE

The Stock Exchange of Hong Kong Limited: 01265

As of the date of this annual report

FINANCIAL SUMMARY

Below are certain selected financial data of Tianjin Jinran Public Utilities Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2023 (the “Reporting Period” or “Year”)/ as of the end of the Year:

	2023	2022
	RMB'000	RMB'000
Revenue	1,780,527	1,780,359
Operating loss	(164,862)	(90,708)
Net loss attributable to shareholders of the Parent	(155,173)	(68,345)
Equity attributable to shareholders of the Parent	1,430,673	1,586,396
Total assets	2,177,399	2,503,306
	2023	2022
	RMB	RMB
Loss per share (RMB/share)	(0.084)	(0.037)

CHAIRMAN'S STATEMENT

To all the shareholders (the “Shareholders”),

The year of 2023 marked a crucial year for Tianjin Jinran Public Utilities Company Limited (the “Company”) to vigorously pursue the high-quality development goals outlined in the “14th Five-Year Plan”. Being both realistic and innovative, the Company is focused on its core business, on improving on protecting the living standard, coordinating safety production with economic operation. The Company has intensified its corporate reforms, and steadily promoted various work tasks and objectives. The Board and the management team of the Company pragmatically carried out work in promoting reform and development, standardizing business management, and strengthening the construction of the Board, all of which have achieved positive results. The Company not only prudently promoted the annual renovation project of the aged pipeline network and the indoor hazard remediation enhancement projects, but also vigorously promoted market development to improve quality services. Moreover, the Company continuously strengthened safety management and improved the corporate governance structure, in a bid to effectively transform governance effectiveness into development momentum. All employees of the Company tackled difficulties and sought progress while maintaining stability, with an aim to focus on promoting the high-quality development of the Company.

In 2023, the Company insisted on compliance guidance and strengthened the development of the Board with focuses on coordination and planning to refine the top-level structure. The Company continued to promote the construction of a compliance system through strengthening risk management and enhancing ability to operate in compliance with the rule of law. In addition, the Company improved internal control management and performed Environmental, Social and Governance (“ESG”) responsibilities to strengthen its corporate social responsibility. The Board diligently performed its duties and responsibilities and fully leveraged its scientific decision-making function to implement its various duties and responsibilities.

In 2024, the downward pressure in external economy is lessened, but the Company will still be facing challenges in upgrading of indoor facilities and safety examination service. 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.

CHAIRMAN'S STATEMENT

Firstly, the Company will strengthen internal reform and management to further improve the institutional system, clarify responsibilities, ensure clear management interfaces, and ultimately establish an efficient system management system. It will also promote the effective integration of the management system with business processes to prevent systemic risks. Secondly, the Company will focus on the core business and enhance the management efficiency of the Company to obtain customers with huge potential. Besides, it will conduct research on customer needs and ensure a steady and safe gas supply to maintain the current market share. By adhering to market orientation, the Company will conduct in-depth market research and focus on developing new customers to vigorously explore the pipeline gas market and actively expand market share to enhance the Company's core competitiveness. Thirdly, the Company will explore the comprehensive user needs. By focusing on promoting value-added services and "dual integration" business, it intends to develop a new income source for enterprise development and explore new formats for value-added services. Fourthly, the Company will explore sustainable development trends and establish new models based on the latest provisions of the Listing Rules and regulatory trends. It will assess the Company's sustainable development strategy, policies, objectives, and risks in all-around way to continuously optimize the ESG management of the Board of Directors. Fifthly, the Company will strengthen the construction of legal compliance to promote the integration of operating and compliance. Last but not least, the Company will continuously improve the corporate governance structure as a listed company to solidify the governance foundation. In 2024, the Company will maintain operating with the principle of innovation and practical actions, and strive to achieve the goals of 2024, forging ahead for the high-quality development of the Company.

APPRECIATION

I would like to take this opportunity to thank the shareholders, customers and business partners for their continuing support, and the Group's staff for their diligence and contribution. With our team of high quality and professional staff, and I look forward to a more rewarding 2024 for the shareholders.

Wang Cong

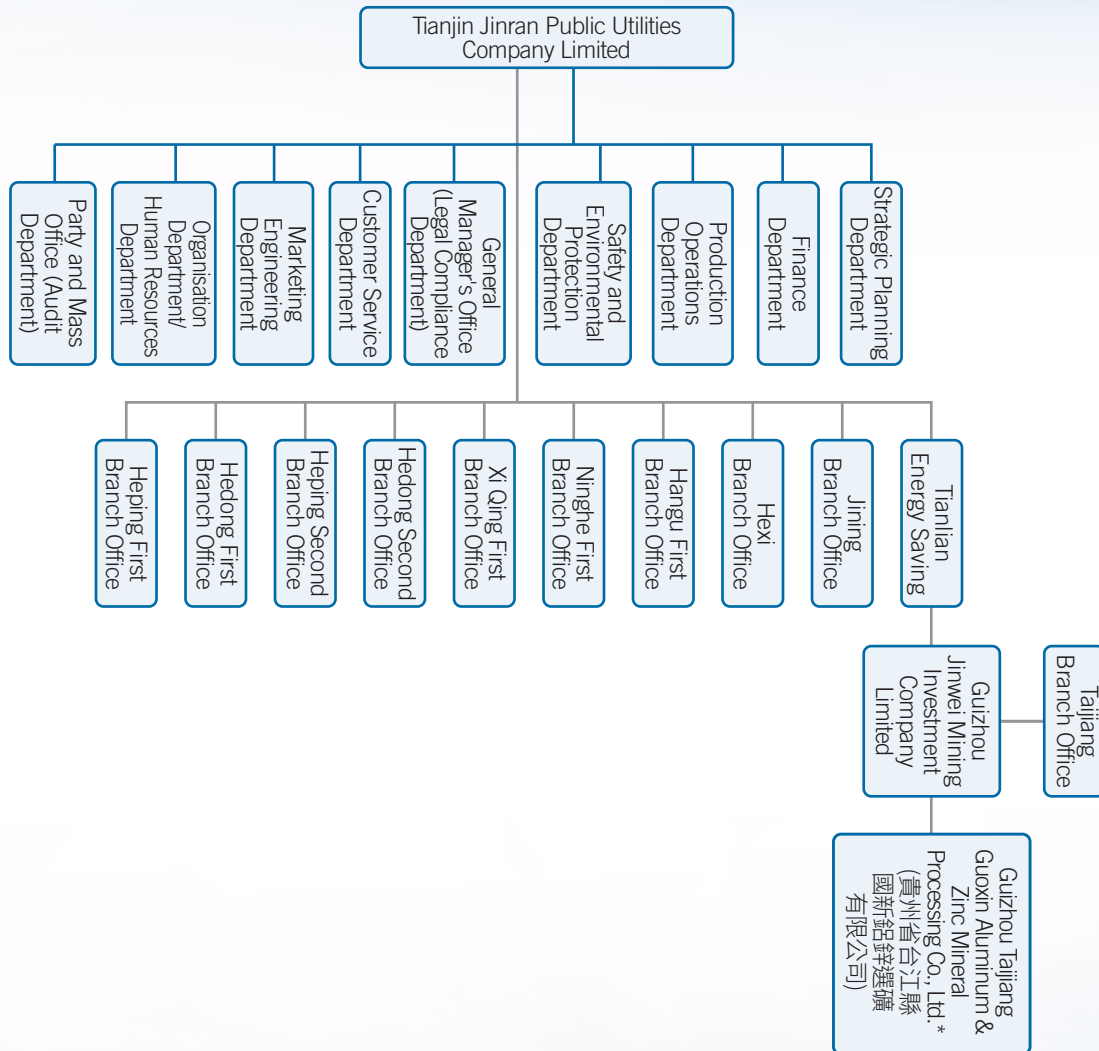
Chairman of the Board

China, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT STRUCTURE

The Group's management structure, which facilitates the Group's constant expansion and improvement, is summarised as follows:



Certain Chinese names of institutions, natural persons or other entities have been translated into English and included in this annual report as unofficial translations for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

Certain figures in this annual report have been subject to rounding adjustments.

This annual report contains forward-looking statements that reflect the Company's beliefs, plans or expectations about the future. These statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors which may or may not be beyond the Company's control. The actual outcomes may differ materially and/or adversely. Nothing contained in these statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, supervisors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update, supplement or correct these statements or to adapt them to future events or developments.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The year of 2023 marked a crucial year for the Company to vigorously pursue the high-quality development goals outlined in the “14th Five-Year Plan”. The Board and the management have been striving to re-establish the sustainable development of the Group by enhancing the Group’s revenue-earning potential through promotion of value-added services to existing customers and looking for new markets, and by enhancing the Group’s expenses management through optimizing the cost efficiency and streamlining daily operations of the Group.

Principal Risks and Uncertainties

The Group’s performance and business operation are affected by China’s urban gas industry. Principal risks affecting the Group 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. Due to 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 the National Development and Reform Commission (NDRC) and is facing policy risk in respect of occasional changes in the gas pricing mechanism. Gas consumption in the winter months increase 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.

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 for financial products in view of the potential material impact brought by the instability in the global economy and financial markets, the Group did not subscribe for financial products in the year ended 31 December 2023. The Group may resume the subscription of financial products in 2024 should it determine that the risks and uncertainties arising from the instability in the global economy and financial markets are widely accepted by the market.

Key Relationships

Employees, suppliers and customers have a significant impact on the Group and its success. The Group places importance on maintaining good relationship with them.

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

A separate ESG report for 2023, which sets out more information about the Group's environmental policies, has been published.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

MANAGEMENT DISCUSSION AND ANALYSIS

Strategy and Future Business Developments

In 2024, 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.

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

A separate ESG report for 2023 has been published on the websites of the Company (www.jinrangongyong.com) and the Stock Exchange (www.hkexnews.hk).

FINANCIAL REVIEW

For the Reporting Period, the Group recorded revenue of approximately RMB1,780,527,000 (for the year ended 31 December 2022 (the "Previous Year"): RMB1,780,359,000), at a level similar to that of the Previous Year. The gross profit margin for the Reporting Period was a loss of 4.02% (Previous Year: loss of 5.57%). The loss before tax for the Reporting Period was approximately RMB165,460,000 (Previous Year: loss before tax of RMB92,891,000). The loss was mainly attributable to (among others) the following factors:

- (i) the rise in the gas sourcing price in the Reporting Period of the upstream gas source entity due to the impact of the rise in global natural gas price;
- (ii) a reduced sales volume of gas caused by the reduction in gas demand of major users; and
- (iii) the provision for impairment of fixed assets.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company conducts impairment test for the fixed assets when there are impairment indicators. Taking into account the above factors (i) and (ii), the economic performance of the Group's gas business in Tianjin was lower than expected due to the changes in the market environment in which the Group operates, the importance of the carrying amount of fixed assets (mainly natural gas delivered to customers through pipes) to the Company's financial statements, the Group has engaged an independent third-party valuer, Tianjin Jinbei Torch Asset Valuation Co., Ltd., to assess the recoverable amount of relevant asset unit. The valuation methodology, parameters and basis and assumptions used are as follows:

Valuation Methodology Income approach. Such approach takes the present value of projected future cash flows as the recoverable amount. The Company understands that such valuation methodology is in line with the prevailing market practice complied by other companies in the industry having discussed with the valuer

Key assumptions

Projected income: Management determined projected income based on historical sales performance, adjusted for forward-looking factors specific to the policy and economic environment

Gross profit margin: Management determined the estimated gross profit margin based on past performance and expectation for market development

Terminal growth rate: The terminal growth rate applied was 2.3%

Discount rate: The discount rates applied were pre-tax and reflect the specific risks of the related entity. In determining the estimated discount rate, the Company utilised key parameters with reference to some listed companies in the same industry. Given the nature of the Company's business, the discount rate applied was within a reasonable range.

Key Input Discount rate: 9.4% (pre-tax)

There were no significant changes in the key assumptions (such as discount rate and terminal growth rates) adopted in the impairment test and valuation adopted for the Year from the key assumptions and parameters previously adopted for the year 2022 (when it was determined that no valuation would be required taking into account the results of the impairment test).

With respect to the impairment test, the Group reviewed the carrying value of its fixed assets amounting to RMB790,024,000. The Group recognized provision for impairment of fixed assets of approximately RMB85,301,000 for the Reporting Period based on the principle of prudence (2022: Nil).

See also note V. 8 to the Financial Statements of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL INFORMATION ANALYSIS

During the Reporting Period, the Group has continued to implement its formulated development strategies to provide piped gas connections to the users in the Group's operational locations in Tianjin City and Jining, Inner Mongolia. Sales of piped gas is the major source of income for the Group, followed by gas connection and others.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, total equity attributable to shareholders of the Company was approximately RMB1,430,673,000 (31 December 2022: RMB1,586,396,000). The Company's registered capital was RMB183,930,780 as at 31 December 2023 (with 1,839,307,800 ordinary shares with a nominal value of RMB0.1 each (the "Shares") in issue, comprising 1,339,247,800 domestic shares and 500,060,000 H shares).

The Group is generally funded by equity financing.

As at 31 December 2023, the Group did not have any bank borrowings (31 December 2022: Nil). As at 31 December 2023, the Company's consolidated net current assets was approximately RMB431,655,000 (31 December 2022: RMB653,587,000), including cash and cash equivalent of approximately RMB789,473,000 (31 December 2022: RMB964,053,000) which was principally denominated in Renminbi.

The Group mostly uses Renminbi in its ordinary business operation. It had not used any financial instrument for currency hedging purposes, as it considers that its exposure to fluctuations in exchange rates in its ordinary business operation is only minimal. During the Reporting Period, the Group did not employ any major financial instruments for hedging purposes.

The Group's gearing ratio (total liabilities to total asset ratio) as at 31 December 2023 was approximately 0.34 (31 December 2022: approximately 0.37).

SIGNIFICANT INVESTMENTS

The Board has adopted a policy for investment that on the premise that the Company can carry on its operations normally, for the purpose of increasing the utilisation of capital, the Company may purchase bank deposit products with its idle funds and the total purchase amount of which shall not exceed RMB1 billion. The general manager of the Company has been authorised by the Board to confirm with the banks the types, amounts, periods and other relevant details of the bank deposit products to be subscribed and to sign on behalf of the Company relevant legal documents with the banks in compliance with the Listing Rules, the articles of association of the Company (the "Articles") and other laws and regulations.

The Group did not hold any significant investments for the Reporting Period (Previous Year: Nil).

MATERIAL ACQUISITION AND DISPOSAL, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

As of 31 December 2023 and the date of this annual report, the Group had no specific plan for material investments or capital assets that have been approved by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2023, none of the Group's assets was pledged as security for liability (31 December 2022: Nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities or guarantees (31 December 2022: Nil).

TREASURY POLICY

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

STAFF AND EMOLUMENT POLICY

As at 31 December 2023, the Group had a workforce of 615 full-time employees (31 December 2022: 695). Total staff costs for the Reporting Period was approximately RMB128,952,000 (Previous Year: RMB136,427,000).

Emoluments of employees are determined pursuant to the common practice of the industry as well as individual performance. In addition to regular salaries, the Group also pays discretionary bonus to eligible employees subject to the Group's operating results and individual performance of the employees. The Group also makes contributions to medical welfare and retirement funds and provides other benefits to employees.

The Group provides pre-job and on-the-job training and development opportunities to its staff, which 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.

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 2022 and 2023, 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 D2 to the Listing Rules.

PROSPECTS

The China's Long-Range Objectives Through the Year 2035 (2035年遠景目標) envisages that China's carbon emission will be stabilized and decreased, implying a trend of using cleaner energy source. Also, China's 14th Five-Year Plan proposes to enhance the reserves and productivity (增儲上產) of oil and natural gas in the forthcoming five years, while also speeding 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 benefit from the above and experience persistent growth. The Group may be particularly benefited from such growth as the 14th Five-Year Development Plan also emphasizes that Beijing, Tianjin and Hebei shall jointly prevent and control (京津冀協同防控) air pollution and use of clean energy for heating will be promoted in northern China. Together with

MANAGEMENT DISCUSSION AND ANALYSIS

policies such as the Plan of Action for the Prevention of Air Pollution (《大氣污染防治行動計劃》), the Detailed Rules for Implementation of the Action Plans for the Prevention and Control of Air Pollution in the Beijing-Tianjin-Hebei Region and the Surrounding Regions (《京津冀及周邊地區落實大氣污染防治行動計劃實施細則》), and the Plan for Strengthening the Prevention and Control of Atmospheric Pollution in Energy Industry (《能源行業加強大氣污染防治工作方案》), 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.

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

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 prioritization, to achieve continuing growth of net cash flows;
- continue to improve the financial management system, with a view to reduce 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 production management and internal management;
- continue to improve the operations management system and mechanism, with emphasis on operation security, optimise management methods and means and promote the 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 2024, 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, 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.

DIVIDENDS

No dividends were declared or proposed during the Reporting Period.

The Board does not recommend the distribution of a dividend for the year ended 31 December 2023 (Previous Year: Nil).

SIGNIFICANT EVENTS DURING AND AFTER THE YEAR

Change of auditors

Ernst & Young Hua Ming LLP (“EY Hua Ming”) had been providing audit work for the Company for consecutive financial years. The Company therefore conducted a new selection process of auditors to further facilitate the independence and objectivity of the Company's audit process and the audit quality of the Company's financial statements. Upon expiration of its term of office and with effect from the conclusion of the Company's annual general meeting held on 27 June 2023, EY Hua Ming retired as the independent auditor of the Company. With the recommendation of the audit committee of the Company and the approval of the shareholders of the Company, KPMG Huazhen LLP has been appointed as the new independent auditor of the Company. There were no disagreements or outstanding matters between the Company and EY Hua Ming, and there were no circumstances connected with their retirement that need to be brought to the attention of the shareholders of the Company. See also the Company's circular dated 12 May 2023 and the Company's 2023 interim report for more information.

Approval of the Company's “14th Five-Year” Development Plan

The 14th Five-Year Development Plan of the Company has been approved by the shareholders of the Company in the annual general meeting of the Company held on 27 June 2023. More information is set out in the Company's circular dated 12 May 2023.

Change of composition of the Board and members of senior management

Ms. Zhao Fengli has been appointed as the financial controller and general compliance consultant of the Company in place of Ms. Du Bing with effect from 12 June 2023, and Mr. An Jing Peng has been appointed as a deputy general manager of the Company with effect from 20 July 2023. More information is set out in the Company's announcements dated 12 June 2023 and 20 July 2023, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

With effect from 19 February 2024, Mr. Wang Cong has become the Chairman of the Board, an executive Director, and the Chairman of the Nomination Committee of the Company, in place of Mr. Chen Tao. More information is set out in the Company's announcement dated 19 February 2024. Mr. Wang has obtained the legal advice from a firm of solicitors under Rule 3.09D of the Listing Rules, and has confirmed that he understood his obligations as a director, on 19 February 2024.

Amendments to the articles of association

Amendments to the Articles has come into effect from 28 December 2023. The amendments were made for the purposes of (i) reflecting updates to the laws and regulations of the PRC (including the “Decision of the State Council to Repeal Certain Administrative Regulations and Documents” and the “Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies”, and related guidelines) and to the consequential changes to the Listing Rules, and (ii) making other consequential, appropriate and housekeeping amendments. More information is set out in the Company's circular dated 7 December 2023.

Potential disposal of assets of Jining Branch Company

References are made to the announcements of the Company dated 4 September 2020 and 24 September 2020 in relation to the potential disposal of all the assets and liabilities of Jining Branch of the Company through listing-for-sale at the Tianjin Property Rights Exchange (excluding the outstanding amount due from Jining Branch to the Company). The Company resolved to adjust the base price for such potential disposal from approximately RMB103,080,200 to approximately RMB91,332,200. The Company will make further announcement(s) as and when appropriate in compliance with the Listing Rules and/or the Inside Information Provisions (as defined under the Listing Rules) (if required). More information is set out in the Company's announcement dated 20 August 2021.

Connected Transactions

See the paragraph headed “Connected transactions” in the Directors' Report in this annual report for information regarding non-exempt connected transactions of the Group during the Year.

SUBSEQUENT EVENTS

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

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. Wang Cong (王聰), aged 41, is the Chairman of the Board and an executive Director. He graduated from the Northeast Electric Power School (now known as the Northeast Electric Power University) in China in July 2004 with a Bachelor of Management, and obtained a Master of Accountancy from the Nankai University in China in June 2011. Mr. Wang holds the qualification of a senior accountant in China. He was awarded the legal professional qualification certificate by the Ministry of Justice of the People's Republic of China in April 2022.

Mr. Wang has been the financial controller of Jinran China Resources Gas Co., Ltd (“Jinran China Resources”, a controlling shareholder of the Company) since November 2022. He has over 19 years of working experience in entities engaging in heating and/or energy business (such as Tianjin Chentang Thermal Power Co., Ltd., Tianjin Jinneng Investment Company, and Tianjin Jinneng Binhai Thermal Power Co., Ltd.). Among these working experience, he worked in Tianjin Energy Investment Company Limited (“Tianjin Energy”, an indirect holding company of Jinran China Resources) from November 2013 to November 2022, and had been (among others) an assistant to the manager of the finance department, and was promoted to the role of a deputy manager of the finance department. He also undertook the role of a deputy general manager (in charge) of Tianjin Energy Group Finance Company Limited (天津能源集團財務有限公司, “Tianjin Energy Finance”) from December 2021 to August 2022, and subsequently the general manager of Tianjin Energy Finance from August 2022 to November 2022. Mr. Wang also acts as a director or supervisor in entities which is controlled or invested in by Tianjin Energy and/or its associated companies (including his directorship in Tianjin Jinneng Co., Ltd. (天津津能股份有限公司) and his role as supervisor in Tianjin Jinneng Pipe Co., Ltd. (天津市津能管業有限公司)).

Mr. Wang was appointed as an executive Director with effect from 19 February 2024. He is also the chairman of the Nomination Committee of the Company.

Ms. Tang Jie (唐潔), aged 56, 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 49, 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 on 29 June 2020 and he is an authorised representative of the Company under the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Ms. Wu Fang (吳芳), aged 47, is a non-executive Director. She has been qualified as a senior politic officer (高級政工師) in China. Ms. Wu graduated in Tianjin Chengjian University (天津城建大學) in China in January 2016, majoring in construction environment and equipment engineering. Ms. Wu has over 20 years of working experience. She joined Tianjin Gas First Sales Branch Company in 2002. She served various roles within the Tianjin Gas group from January 2002 to December 2014, and was (among others) the head of the working department of the party committee, company league secretary, customers center officer and secretary of the institutional party committee branch of the Tianjin Gas Third Sales Branch Company by December 2014. Since December 2014, Ms. Wu has been serving in Jinran China Resources at different positions such as a deputy head of the organisation department (in charge), officer of the female staff committee. She currently is a vice-chairperson of the labour union, the head of organisation department and of the united front work department of the party committee, manager of the human resources department, and chairperson of the institutional union of Jinran China Resources. Ms. Wu was appointed as a non-executive Director with effect from 1 August 2022. She is also a member of the Remuneration Committee of the Company.

Ms. Guan Na (關娜), aged 45, is a non-executive Director. She has been qualified as a senior politic officer (高級政工師) in China. Ms. Guan majored in English for foreign trade in Tianjin Economic Technology Development Vocational School (天津市經濟技術開發職業中專). She graduated from Nankai University (Night University) in China, majoring in English in July 2004. Ms. Guan joined Tianjin Gas First Sales Branch Company in October 1998, and has served at various positions in Tianjin Gas from October 1998 to May 2014. She was a deputy officer of the party committee office of Tianjin Gas by May 2014. She concurrently joined Jinran China Resources in May 2013 as a deputy officer of the party committee office of Jinran China Resources. Since then, she has been serving at different positions in Jinran China Resources, among others, deputy league secretary (in charge), deputy head (in charge) of armed department of the party committee, secretary of the committee of the institution first branch, officer of the party committee office. She has been the officer of the general manager office of Jinran China Resources since October 2021. Ms. Guan was appointed as a non-executive Director with effect from 1 August 2022.

Mr. Zhang Jinghan (張鏡涵), aged 37, is a non-executive Director. He has been qualified as an economist (Specialty: Business management) in China. He studied in Northeast Normal University in China in 2009, majoring in international politics, and obtained a master's degree in laws from Tianjin Normal University in June 2012, majoring in international politics. Mr. Zhang joined Tianjin Thermal Power Co. Ltd. (天津市津燃熱電有限公司) in July 2012, and was seconded to Tianjin Gas as the general manager office secretary, and he continued to acted in such position up to December 2012 after official joining Tianjin Gas in October 2012. He joined Jinran China Resources in December 2012. He served as the general manager officer secretary from December 2012 to July 2019, and became the temporary person-in-charge of the general manager office in July 2019. He subsequently held the position as a deputy head (in charge) of the general manager office from August 2020 to October 2021. He joined the strategic planning department of Jinran China Resources as its deputy manager (in charge) in October 2021, and is now the manager of the department. Mr. Zhang was appointed as a non-executive Director with effect from 1 August 2022.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Zhang Ying Hua (張英華), aged 74, is an independent non-executive Director. Mr. Zhang graduated from Tianjin University of Finance and Economics (天津財經大學) (“TUFU”), majoring in the industrial management, in 1977. He obtained a master degree of Business Administration from the Oklahoma City University in 2001. He had been the deputy dean of the Faculty of Business, the head secretary general of the Communist Party of the Department of Corporate Management of TUFU from 2004 to 2007, and was the dean of the Faculty of Business of TUFU from 2007 and until 2010. Since then, Mr. Zhang has been a professor and doctoral advisor of the Department of Corporate Management of the Faculty of Business of TUFU, the dean of the Management Faculty and head of the management department of Zhujiang Management College (珠江學院) of TUFU. He was awarded special subsidy by the State Council in 2009 to reward his contribution to the development of the study of society sciences to the PRC. He was appointed as an 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 60, 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 an 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 66, is an independent non-executive Director. Mr. Guo graduated from TUFU, 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 an 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.

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”). The members of the Supervisory Committee as at the date of this report are:

Shareholders’ Representative Supervisor

Mr. Xu Peng (徐鵬), aged 47, is the Shareholders’ representative supervisor of the Company. Mr. Xu graduated from Nankai University in China in July 2000, majoring in accounting (correspondence education). Mr. Xu is qualified as a senior accountant (Specialty: Corporate accounting), a certified public accountant and a certified tax agent in China. Mr. Xu has been a deputy finance director and the manager of the finance department of Jinran China Resources since December 2019. Mr. Xu joined Zhengzhou Gas Company (鄭州燃氣公司) as a finance staff of the labour union and technical association of Zhengzhou Gas Company in August 1995. He served as an accountant of the finance department of the labour union of Zhengzhou Gas Group (鄭州燃氣集團) and financial person-in-charge of Zhengzhou Gas Corporate Planning Company (鄭燃企業策劃公司), then an accountant of the finance and investment department and person-in-charge of the settlement center of Zhengzhou Gas Group and subsequently a deputy head of the finance and investment department of Zhengzhou Gas Group Company, Ltd. consecutively between January 2000 to June 2007. From June 2007 to May 2011, he was the head of the finance and investment department of Nanyang Zhengran Gas Co., Ltd. (南陽鄭燃燃氣有限公司). Mr. Xu later served as a manager of the planning and finance department of China Resources Gas (Zhengzhou) Municipal Design & Research Institute Co., Ltd. (華潤燃氣(鄭州)市政設計研究院有限公司) from June 2011 to May 2013. He was the financial controller of Datong China Resources Gas Co. Ltd. (大同華潤燃氣有限公司) from June 2013 to September 2016, and the financial controller of Anyang China Resources Gas Co. Ltd. (安陽華潤燃氣有限公司) from September 2016 to December 2019. Mr. Xu was appointed as a Supervisor with effect from 1 August 2022.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Supervisors

Ms. Xu Hui (許暉), aged 57, 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 60, 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) (SSE 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) (SZSE 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) (SZSE 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) (SSE Stock Code: 600415) and an independent director of Tianjin Realty Development (Group) Co., Ltd. (SSE Stock Code: 600322). He was appointed as a Supervisor on 22 June 2016.

Staff Representative Supervisors

Ms. You Hui Yan (游惠燕), aged 41, 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 Party and Mass Office (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 33, 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 General Manager’s Office (Legal Compliance Department) of the Company since September 2020. She joined the General Manager’s Office (Legal Compliance 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Lau Kwok Yin (劉國賢), aged 38, is a 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 and he is an authorised representative of the Company under the Listing Rules.

SENIOR MANAGEMENT

Mr. Liu Xing Hua (劉興華), aged 40, 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. Yan Ying (閻英), aged 52, is a deputy general manager of the Company since 9 November 2022. She has more than 25 years of working experience with companies in the energy business, including serving in Tianjin Gas Group Company Limited from July 1995 to April 2012, and Tianjin Reli Power Co., Ltd. from April 2012 to September 2018. She joined Tianjin Zhongyuan Natural Gas Engineering Co., Ltd. in September 2018, and was the deputy secretary of its party committee and chairperson of its staff union prior to joining the Group in November 2022. Ms. Yan is qualified as a senior politic officer in China. She graduated from Nankai University branch, with a bachelor of science in July 1995. She further completed the in-service postgraduate course in economics (economic management) at the Party School of the Central Committee of the Communist Party of China in July 2012.

Mr. An Jing Peng (安敬鵬), aged 45, is a deputy general manager of the Company since 20 July 2023. Mr. An was a deputy manager (in charge) of the Jizhou Branch of Jinran China Resources prior to joining the Company in July 2023. He was also a member and the secretary of the party branch of the Jizhou Branch of Jinran China Resources from May 2021 to July 2023. He joined Baochi Company of the Third Sales Branch Company of Tianjin Gas Group Company Limited in February 2008, and was a development officer of its engineering department from May 2010 to January 2013. He served as a development officer of the engineering department of the Baochi Branch of the Third Sales Branch of Jinran China Resources, and subsequently as the head of the safety technology department of the Baochi Branch of Jinran China Resources from January 2013 to October 2019. He worked at Tianjin Dazhan Group and Tianjin Development Zone Beverage Company consecutively between July 2001 and February 2008.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zhao Fengli (趙鳳莉), aged 39, is the financial controller and general compliance consultant of the Company since 12 June 2023. Ms. Zhao graduated from China University of Petroleum (East China) (中國石油大學(華東)) in July 2008 with a bachelor's degree in management, majoring in accounting, and obtained a master's degree in management from Tianjin University of Finance and Economics (天津財經大學) in June 2011, specialising in accounting. Ms. Zhao was issued with the Certificate of Accounting Profession by the Bureau of Finance Hexi District Tianjin (天津市河西區財政局) in December 2009, and she is qualified as a senior accountant in China. From November 2011 to January 2013, Ms. Zhao was a management staff of the finance department of Tianjin Gas Group Company Limited (which holds 51% equity interests in Jinran China Resources). She was a management staff of the finance department of Jinran China Resources from January 2013 to August 2020, and subsequently served as a deputy manager (in charge) of the same department from August 2020 to October 2021. Thereafter to June 2023, Ms. Zhao served as a deputy head (in charge) of the finance department of the Company.

OTHER INFORMATION

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.

Pursuant to article 67 of the Articles, the Directors shall be elected at the shareholders' general meeting and their term of office shall be three years. Upon expiry of such term, a Director shall be eligible for re-election. The current term of office of the Directors is scheduled to expire this year.

Pursuant to article 95 of the Articles, the term of office of the Supervisors shall be three years for each session, and the Supervisors shall be eligible for re-election. The current term of office of the Supervisory Committee is scheduled to expire this year.

A circular setting out (among other things) information about the election/re-election of Directors and Supervisors will be published in due course.

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 C1 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 Reporting Period.

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. Wang Cong (Chairman of the Board), Ms. Tang Jie and Mr. Sun Liangchuan, three non-executive Directors namely Ms. Wu Fang, Ms. Guan Na and Mr. Zhang Jinghan, 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 their appointment date (or for the independent non-executive Directors, 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 of the Board and Chief Executive Officer

As at the date of this report, Mr. Wang Cong serves as the Chairman of the Board. 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.

As of the date of this report, the Board comprises both male and female (six male and three female), 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 2023 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 C.5.3 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 usually held every three months, with additional meetings arranged, if and when required. 13 Board meetings were held in 2023. 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
<i>Executive Directors</i>		
Chen Tao (resigned on 19 February 2024)	13/13	4/5
Tang Jie	13/13	5/5
Sun Liangchuan	13/13	5/5
<i>Non-executive Directors</i>		
Wu Fang	12/13	1/5
Guan Na	12/13	1/5
Zhang Jinghan	12/13	0/5
<i>Independent Non-executive Directors</i>		
Zhang Ying Hua	13/13	5/5
Yu Jian Jun	13/13	4/5
Guo Jia Li	13/13	5/5

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 5 general meetings were held during the Year.

During the Year, each of Ms. Wu Fang, Ms. Guan Na and Mr. Zhang Jianhan abstained from 1 Board meeting, respectively, relating to certain connected transactions of the Company pursuant to the Articles and/or good corporate governance practice.

Certain Directors were not able to attend the general meetings held in 2023 due to their unavoidable business engagements.

During 2023, 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 (including ESG risks) and internal control systems;
8. passing the resolution in respect of determining the annual remuneration of the senior management;
9. approving the amendments to the articles of association of the Company; and
10. approving appointments to the Board, subject to the approval by the Shareholders, and appointments of member of senior management.

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 remind 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 A.2.1 of the Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices; (b) training and continuous professional development of Directors and senior management; (c) the Company's policies and practices on compliance with legal and regulatory requirements; (d) the Company's code of conduct; and (e) the Company's compliance with the Code disclosures requirements.

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 C3 to the Listing Rules.

Upon specific enquiries the Directors and Supervisors confirmed his/her compliance with the Model Code with respect to securities dealings throughout the Period.

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 2023. 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
<hr/>	
<i>Executive Directors</i>	
Chen Tao (resigned on 19 February 2024)	✓
Tang Jie	✓
Sun Liangchuan	✓
<i>Non-executive Directors</i>	
Wu Fang	✓
Guan Na	✓
Zhang Jinghan	✓
<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.

The Nomination Committee whose members comprise of an executive Director 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, interim report and to review 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 2023: 4

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 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 	Wu Fang <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 2023: 5

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 	Chen Tao* (<i>Chairman</i>)	100%
		(<i>executive Director</i>)	
		Zhang Ying Hua	100%
		(<i>independent non-executive Director</i>)	
		Yu Jian Jun	100%
		(<i>independent non-executive Director</i>)	

Total number of meetings held in 2023: 3

* Mr. Wang Cong became the chairman of the Nomination Committee, in place of Mr. Chen Tao, with effect from 19 February 2024.

CORPORATE GOVERNANCE REPORT

Audit Committee

During the Year, the Audit Committee performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2022 and interim financial results and report for the six months ended 30 June 2023;
2. reviewed the continuing connected transactions of the Company;
3. reviewed the report of the Party and Mass Office (Audit Department) 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 change 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 the Year, the Remuneration Committee 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 the Year, the Nomination Committee 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 Board composition 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 XI.2. 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, 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 RMB600,000	5

CORPORATE GOVERNANCE REPORT

Company Secretary

Mr. Lau Kwok Yin, a 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 General Manager’s Office (Legal Compliance 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 advice 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 65 to 70. 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. 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 the Year, 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 Party and Mass Office (Audit Department). The Audit Committee has reviewed the report of the Party and Mass Office (Audit Department) 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 Party and Mass Office (Audit Department) 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 a Party and Mass Office (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 General Manager's Office (Legal Compliance 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.

While keeping highly transparent communications with investors and analysts, the Company attaches great importance to the handling of inside information. The Company has maintained a good information disclosure mechanism and policy which provides a general guide to the Company's Directors, officers and senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries, and to ensure that inside information is disseminated to the public in a fair and timely manner in accordance with applicable laws and regulations. Monitoring and control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence and anonymity, concerns about improprieties (such as criminal offences or financial impropriety) or other matters of the Company.

External Auditors

The Group's external auditors are KPMG Huazhen LLP. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguard independence of the auditors, and it has:

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

During the Year, the fees paid to the Company's external auditors for audit services amounted to approximately RMB1,000,000 and for non-audit related activities (which are the fees for agreed upon procedures on accounts) amounted to approximately RMB200,000.

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

CORPORATE GOVERNANCE REPORT

Staff Diversity

The Group had a workforce of 615 full-time employees as of 31 December 2023. Among them, around 38% of the workforce (including senior management) were female, and around 40% of the Group's senior management positions were held by female. The Company considers there is a balanced gender diversity in its workforce as a whole, and intends to maintain similar level of balance. 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. The ESG report for 2023 sets out more information about the Group's workforce.

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 reviewed 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:

5th Floor, Court A,

No. 28 Nankai Fourth Road,

Nankai 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 38(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.

PROCEDURES FOR SHAREHOLDERS' ENQUIRES TO BE PUT TO THE BOARD

Pursuant to Article 32 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) the register of Shareholders;
 - (ii) the share capital of the Company; and
 - (iii) minutes of Shareholders' meetings.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 37(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 40 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 67 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 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.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on pages 75 to 76 of this annual report.

The Board does not recommend the distribution of a dividend for the year ended 31 December 2023 (Previous Year: Nil).

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.21 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 2023, the Group's reserves available for distribution to Shareholders, comprised the retained profits determined under PRC accounting standards of approximately RMB328 million (2022: RMB483 million).

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

RESERVES

Profits attributable to Shareholders before dividends of RMBnil (2022: RMBnil) 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.8 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 196 of this annual report.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Wang Cong*
Tang Jie
Sun Liangchuan

Non-executive Directors

Wu Fang
Guan Na
Zhang Jinghan

Independent Non-executive Directors

Zhang Ying Hua
Yu Jian Jun
Guo Jia Li

* Mr. Wang Cong became a Director with effect from 19 February 2024. Mr. Chen Tao (then Chairman of the Board) ceased to be a Director with effect from 19 February 2024.

DIRECTORS' REPORT

Independent Supervisors

Xu Hui
Liu Zhi Yuan

Staff Representative Supervisors

You Hui Yan
Zhang Tingting

Shareholders' Representative Supervisor

Xu Peng

The Company considers that each of the independent non-executive Directors remain independent pursuant to Rule 3.13 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract, and each of the non-executive Directors and independent non-executive Directors has entered into a service contract/letter of appointment with the Company commencing from 25 June 2021 (or if later, his/her effective date of appointment), and ending on the conclusion of the annual general meeting of the Company to be held in 2024.

Each of the Supervisors has entered into a service agreement with the Company for a term of three years 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's 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', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 December 2023, the interests and short positions of the Directors, chief executives and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors and Supervisors as referred to in Appendix C3 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
Tang Jie	Beneficial owner	41,700,000	2.27%/3.11%

Save as disclosed above, as at 31 December 2023, 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 C3 to the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS

So far as known to the Directors, as at 31 December 2023, 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
Jinran China Resources Gas Co., Ltd. (津燃華潤燃氣有限公司)	Beneficial owner	1,297,547,800	70.54%/96.89%
Tianjin Gas Group Company Limited ("Tianjin Gas") 天津市燃氣集團有限公司 (Note 1)	Interest of a controlled corporation	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 1)	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 2)	Other	1,297,547,800	70.54%/96.89%

DIRECTORS' REPORT

Notes:

1. As at 31 December 2023, Jinran China Resources held 1,297,547,800 Domestic Shares. Jinran China Resources is owned as to 51% and 49% by Tianjin Gas and China Resources Gas (Hong Kong) Investment Limited, respectively. Tianjin Energy is the intermediary holding company of Tianjin Gas. Tianjin Capital is the intermediary holding company of Tianjin Energy. Therefore they are deemed, or taken to be interested in all the Domestic Shares held by Jinran China Resources for the purpose of the SFO.
2. 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 RMBO.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 2023, 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 2023, the Company has not received any notification by any person, not being a Director, chief executive or Supervisor of the Company, of its 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 or at the end of the Reporting Period.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the Reporting Period.

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, and no such arrangement subsisted as of the end of the Year.

DIRECTORS' REPORT

COMPETING INTERESTS

In the wholesale distribution of natural gas, no competition between Jinran China Resources, 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.

Each of Mr. Chen Tao (resigned on 19 February 2024), Mr. Sun Liangchuan (each an executive Director), Ms. Wu Fang, Ms. Guan Na and Mr. Zhang Jinghan (each a non-executive Director) hold position(s) with Jinran China Resources, Tianjin Gas, Tianjin Energy and/or their associates. They do not have any equity interest in Jinran China Resources, Tianjin Gas or, Tianjin Energy. Save as their positions with Jinran China Resources, Tianjin Gas, Tianjin Energy and/or their associates, each of the Directors has confirmed that he/she and his/her respective close associates do not have any interest in a business which competes or may compete with the business of the Group.

Save as disclosed above, as at 31 December 2023, 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:

Non-exempted Continuing Connected Transactions

(1) 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. 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 gas transportation fees (among others) for the year ended 31 December 2022 and 2023 are (tax inclusive) RMB8,600,000 and RMB9,600,000, respectively.

The transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios are less than 5%, the transactions are exempt from the independent shareholders' approval requirement, but are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

Actual transaction amount (tax exclusive) for the Year was approximately RMB190,000.

Further details are set out in the announcement of the Company dated 21 May 2021.

(2) Gas provision

On 15 April 2021, the Company entered into a conditional gas provision contract with 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 ended 31 December 2023, with annual caps not exceeding RMB383,000,000, RMB445,000,000 and RMB538,000,000, respectively.

Taihua Gas was indirectly owned as to 70% by Tianjin Gas and 30% by Tianjin TEDA Investment Holding Co, Ltd., respectively. Accordingly, Taihua Gas is a connected person of the Company, and the transaction constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The contract was subject to the independent shareholders' approval, annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

Actual transaction amount (tax exclusive) for the Year was approximately RMB272,859,000.

Further details are set out in the circular of the Company dated 9 June 2021.

DIRECTORS' REPORT

(3) Gas meters procurement from Tianjin Yumin

On 28 July 2022, the Company and Tianjin Yumin Gas Meter Co., Ltd. ("Tianjin Yumin", a 51%-owned subsidiary of Jinran China Resources) entered into a procurement contract to procure from Tianjin Yumin IoT (Internet of Things) gas meters at an aggregate maximum purchase price of RMB5,922,000. As the Company contemplated that more IoT gas meters and additional model(s) of IoT gas meters with safety function were required, on 9 November 2022, the Company entered into a termination contract to terminate the aforesaid procurement contract, and entered into a new procurement contract with Tianjin Yumin for the procurement of IoT gas meters with an aggregate maximum purchase price of RMB7,040,000, for a term of one year from the date of its execution.

Tianjin Yumin is an associate (as defined under the Listing Rules) of Jianran China Resources. The transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios are less than 5%, they are exempt from the independent shareholders' approval requirement and were subject to annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

Further details are set out in the Company's announcements dated 28 July 2022 and 9 November 2022, respectively.

On 13 February 2023, the Company and Tianjin Yumin entered into a procurement contract pursuant to which Tianjin Yumin agreed to supply to the Company IoT (internet of things) gas meters. The annual caps under this procurement contract are RMB22 million, RMB2.048 million and RMB2 million for the years ended/ending 31 December 2023, 2024 and 2025, respectively.

The transactions constitute continuing connected transactions of the Company. This procurement contract (when aggregated with other procurement of gas meters by the Group from Tianjin Yumin) was subject to (among other things) the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. The independent shareholders' approval was obtained at the extraordinary general meeting held on 20 March 2023.

Further details are set out in the Company's circular dated 24 February 2023.

Actual transaction amount (tax exclusive) for the Year was approximately RMB17,591,000

(4) Engineering works framework agreement with Jinran China Resources

The engineering works framework agreement dated 15 December 2021 (as supplemented) entered into between the Company and Tianjin Energy expired on 31 December 2022. On 18 January 2023, the Company and Jinran China Resources entered into a new engineering works framework agreement pursuant to which Jinran China Resources and/or its associated companies will undertake the Group's gas pipeline projects, supporting facilities construction projects, indoor gas meters installation projects, other outdoor and indoor gas facilities construction, renovation and renewal construction projects, and provide services such as inspection, design, supervision, entrusted procurement, entrusted installation, construction, drafting of completion reports and provision of maintenance services. The term of this agreement will expire on 31 December 2025. The annual caps (in terms of total settlement amount) are RMB141 million, RMB124 million and RMB77 million for the years ended/ending 31 December 2023, 2024 and 2025, respectively.

The transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, and are subject to, among other things, the independent shareholders' approval, annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules. The new framework agreement was approved by the independent shareholders of the Company at an extraordinary general meeting held on 20 March 2023.

Actual transaction amount (tax exclusive) for the Year was approximately RMB75,834,000.

Further details are set out in the circular of the Company dated 24 February 2023.

(5) Gas supply contract

On 15 November 2022, the Company and Jinran China Resources entered into a conditional city gas supply contract in respect of the supply of natural gas by Jinran China Resources to the Company for the period from 1 January 2023 to 31 March 2024. The annual caps are RMB2,292 million for the year ended 31 December 2023, and RMB840 million for the three months ending 31 March 2024.

The transactions constitute continuing connected transactions of the Company. They were subject to independent shareholders' approval, annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules. This contract was approved by the independent shareholders of the Company at an extraordinary general meeting held on 30 December 2022.

Actual transaction amount (tax exclusive) for the Year was approximately RMB1,613,651,000.

Further details are set out in the Company's circular dated 8 December 2022.

Note: On 19 April 2022, the Company entered into an installation services agreement with Tianjin Yixiao Construction Development Co., Ltd. (an associate of Jinran China Resources) for it to provide indoor gas meters installation services in Tianjin with an annual cap of RMB4,852,000. All work shall be performed within one year. This agreement is exempt from the independent shareholders' approval requirement, but are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules. The work under this agreement completed and transaction amount for the Year was nil.

DIRECTORS' REPORT

Annual Review

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions. In their opinion, these 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.

The Board (including the independent non-executive Directors) considered that the above continuing connected transactions conducted during the Year have followed the pricing policies and guidelines applicable to them.

In addition, the Company's auditors have also confirmed in writing to the Board that nothing has come to their attention which cause them to believe that the continuing connected transactions disclosed above:

- (i) had not been approved by the Board;
- (ii) for transactions involving the provision of goods and services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group governing such transactions;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) had exceed the annual cap as set out in the corresponding announcement made by the Company.

Related Party Transactions

Note IX to the Financial Statements in this annual report sets out information about related party transactions of the Group. Save for the transactions set out in “– Connected transactions” above, these related party transactions either do not fall within the definition of connected transactions (or continuing connected transactions) under Chapter 14A of the Listing Rules, or were fully-exempted from annual review, reporting, announcement and independent shareholders' approvals requirements under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Other Connected Transactions in 2024

Gas provision to Tianjin Binran

On 10 November 2023, the Company and Tianjin Binran Pipe Network Construction Co., Ltd (“Tianjin Binran”, an associate of Jinran China Resources) entered into a city gas supply and usage contract pursuant to which the Company agreed to supply natural gas to Tianjin Binran from 1 January 2024 to 31 December 2026. The annual caps are RMB344 million, RMB375 million and RMB408 million for the years ending 31 December 2024, 2025 and 2026, respectively. The transactions constitute continuing connected transactions of the Company. They were subject to (among other things) the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. It was approved by the independent shareholders of the Company at an extraordinary general meeting held on 28 December 2023. More information is set out in the Company's circular dated 7 December 2023.

Gas supply contract

The gas supply contract dated 15 November 2022 entered into between the Company and Jinran China Resources in respect of the supply of natural gas by Jinran China Resources to the Company expired on 31 March 2024.

The Company and Jinran China Resources entered into a new city gas supply and usage contract on 7 February 2024 for the period from 1 April 2024 to 31 March 2027 (“2024-27 Gas Supply Contract”). The annual caps under the 2024-27 Gas Supply Contract are RMB1,326 million for the period from 1 April to 31 December 2024, RMB2,282 million for year 2025, RMB2,473 million for year 2026, and RMB992 million for the period from 1 January to 31 March 2027, respectively. The 2024-27 Gas Supply Contract was subject to (among other things) the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. It has been approved by the independent shareholders of the Company at an extraordinary general meeting held on 28 March 2024. More information is set out in the Company's circular dated 5 March 2024.

DIRECTORS' REPORT

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 56.0% of the Group's total turnover for the Year, with the largest customer accounted for approximately 24.1%. The five largest suppliers of the Group together accounted for approximately 99.2% of the Group's total purchases for the Year, with the largest supplier accounted for approximately 96.8%.

Among these major customers and suppliers, (i) Jinran China Resources is a major supplier of the Group and 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) is a major supplier of the Group and a subsidiary of Tianjin Gas (which holds 51% equity interests in Jinran China Resources); and (iii) Taihua Gas is a major customer of the Group and is indirectly owned as to 70% by Tianjin Gas. Save as the above, at no time during the Year did any of the Directors, their close associates 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.

DONATION

The Group did not make any substantive donation during the Year.

AUDITORS

In order to further facilitate the independence and objectivity of the Company's audit process and the audit quality of the Company's financial statements, EY Hua Ming retired as the independent auditor of the Company with effect from the conclusion of the annual general meeting of the Company held on 27 June 2023 and was not re-appointed. On the same day, with the recommendation of the audit committee of the Company and the approval of the shareholders of the Company, KPMG Huazhen LLP was appointed as the new independent auditor of the Company. Save as disclosed above, there was no change in auditor of the Company in the past three years.

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by KPMG Huazhen LLP, certified public accountants.

The consolidated financial statements of the Company for the years ended 31 December 2022 and 31 December 2021 have been audited by EY Hua Ming, certified public accountants.

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.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENTS

During the Year, 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 (the "AGM") will be held on 27 June 2024 (Thursday). To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 24 June 2024 (Monday) to 27 June 2024 (Thursday) (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 21 June 2024 (Friday).

On behalf of the Board
Tianjin Jinran Public Utilities Company Limited
Wang Cong
Chairman of the Board

SUPERVISORY COMMITTEE'S REPORT

WORK REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2023

In 2023, the members of the Supervisory Committee of Tianjin Jinran Public Utilities Company Limited (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, the Articles of Association of the Company and the Listing Rules. In 2023, the members of the Supervisory Committee attended or present at all the general meetings and board meetings, actively participated in the review of major decision-making of the Company, and overseeing the interests of the shareholders, the Company and the employees to the greatest extent according to law. The below reported specific works performed by the Supervisory Committee in 2023:

I. Meetings of the Supervisory Committee

On 28 March 2023, the seventh meeting of the seventh session of the Supervisory Committee was convened by the Company, at which, the Resolution on the Work Report of the Supervisory Committee for 2022 and the Resolution on the Annual Report of the Company for 2022 and its Publication on the Website of the Stock Exchange were considered and approved.

On 28 August 2023, the eighth meeting of the seventh session of the Supervisory Committee was convened by the Company, at which, the Resolution on the 2023 Interim Report of the Company and its Publication on the Website of the Stock Exchange was considered and approved.

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

1. Company's compliance in operations

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 2023 were conducted in strict accordance with the Company Law, the Articles of Association, the Listing Rules 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. No incidents of violations of laws, regulations nor behaviors to harm the interests of the Company and minority shareholders were discovered.

SUPERVISORY COMMITTEE'S REPORT

2. Financial activities of the Company

During the reporting period, the Supervisory Committee of the Company carefully inspected and reviewed the financial statements and financial information of the Company. According to the audit report issued by KPMG Huazhen LLP, the Supervisory Committee believes that the financial report of the Company for the year 2023 presented a true and objective view of the financial position and operating results of the Company.

3. Connected transactions of the Company

During the reporting period, the Supervisory Committee supervised the Board in their approval of the following proposals on connected transactions:

- (1) Resolution regarding entering into the Agreement in Principle for the Project (工程項目之原則協議) with Jinran China Resources Gas Co., Ltd. (津燃華潤燃氣有限公司);
- (2) Resolution on reviewing the connected transaction for procurement of gas meters;
- (3) Resolution regarding entering into a gas supply and usage contract for the period from 2024 to 2026 with Tianjin Binran Pipe Network Construction Co., Ltd.

In addition to the above-mentioned connected transactions, 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 2023 were conducted on normal 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.

III. Work plan for 2024

In 2024, 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, and facilitate the Company's standardized operation and sustainable and healthy development.

Supervisory Committee of Tianjin Jinran Public Utilities Company Limited
28 March 2024



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KPMG Huazhen Shen Zi No. 2403585

The Shareholders of Tianjin Jinran Public Utilities Company Limited:

1. OPINION

We have audited the accompanying financial statements of TIANJIN JINRAN PUBLIC UTILITIES COMPANY LIMITED (“TIANJIN JINRAN PUBLIC”), which comprise the consolidated and company balance sheets as at 31 December 2023, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of TIANJIN JINRAN PUBLIC as at 31 December 2023, and the consolidated and company financial performance and cash flows of TIANJIN JINRAN PUBLIC for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). 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 of TIANJIN JINRAN PUBLIC in accordance with the *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.

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.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2403585

3. KEY AUDIT MATTERS (continued)

Impairment of fixed assets

Refer to the accounting policies set out in Note 14 under *III. Significant Accounting Policies and Accounting Estimates*, and Note 8 under *V. Notes to Key Items of the Company's Financial Statements*.

Key Audit Matters

TIANJIN JINRAN PUBLIC's fixed assets are mainly those for natural gas delivered to consumers by pipelines. As at 31 December 2023, the carrying amount of TIANJIN JINRAN PUBLIC's fixed assets and the relevant provision for impairment were RMB790,024,131.72 and RMB94,792,783.55, respectively.

The carrying amounts of fixed assets are reviewed by management at each balance sheet date for indications of impairment. If management identifies an asset with indications of impairment, external valuers are engaged to assist with the impairment testing. The valuers compare the carrying amount of each group of impaired assets with its recoverable amount to determine the amount of any impairment loss. The recoverable amount is the higher of the present value of the estimated future cash flow and the net amount of the fair value less the costs for disposals. The calculation of the present value of expected future cash flows requires significant management judgement, including key assumptions such as future gas sales, the difference between the cost and selling price of natural gas and the applicable discount rates.

How the matter was addressed in our audit

Our audit procedures regarding the evaluation of impairment of fixed assets include:

- Understand and evaluate the design effectiveness and operating effectiveness of key internal controls of financial over the impairment of fixed assets.
- Based on our understanding of TIANJIN JINRAN PUBLIC's business, determine whether management's basis for identifying indications of impairment of fixed assets and the method of identifying asset groups are consistent with the Accounting Standards for Business Enterprises.
- Compare TIANJIN JINRAN PUBLIC's business plan, financial budget and external environmental information with the key assumptions used by management in calculating the present value of estimated future cash flows (e.g. future gas sales, difference between cost and selling price of natural gas). We evaluated the reasonableness of management's key assumptions based on our understanding of the gas industry.
- Evaluate the competence, professional quality and objectivity of the external valuers hired by TIANJIN JINRAN PUBLIC;

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2403585

3. KEY AUDIT MATTERS (continued)

Impairment of fixed assets

Refer to the accounting policies set out in Note 14 under *III. Significant Accounting Policies and Accounting Estimates*, and Note 8 under *V. Notes to Key Items of the Company's Financial Statements*.

Key Audit Matters

We have identified the impairment of fixed assets as a key audit matter due to the significance of their carrying amount to the financial statements, and the materiality of the judgements and estimates made by management when determining relevant impairment, which may be biased.

How the matter was addressed in our audit

- With our valuation specialists, evaluate the appropriateness of the method used by the management in determining the present value of expected future cash flows, as well as the reasonableness of the discount rates used.
- Perform sensitivity analysis on the discount rates and other key assumptions adopted by the management, evaluate how changes in key assumptions (individually or collectively) will lead to different conclusions, and then evaluate whether there are any indicators of management bias;
- Compare the key assumptions adopted by the management in preparing the present value of the expected future cash flows in the previous year with the actual operation of the asset groups for current year. Inquire of management about any significant differences identified and evaluate whether there are any indications of management bias. Consider whether these factors have been taken into account when forecasting the expected future cash flows in current year.
- Evaluate whether the disclosure of the impairment of fixed assets in the financial statements satisfies the requirements of the Accounting Standards for Business Enterprises.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2403585

4. OTHER INFORMATION

TIANJIN JINRAN PUBLIC's management is responsible for the other information. The other information comprises all the information included in 2023 annual report of TIANJIN JINRAN PUBLIC, 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 and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing TIANJIN JINRAN PUBLIC'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 management either intends to liquidate TIANJIN JINRAN PUBLIC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing TIANJIN JINRAN PUBLIC's financial reporting process.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2403585

6. AUDITOR'S RESPONSIBILITIES 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 CSAs 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 CSAs, 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 management.
- (4) Conclude on the appropriateness of 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 TIANJIN JINRAN PUBLIC'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 TIANJIN JINRAN PUBLIC to cease to continue as a going concern.

AUDITOR'S REPORT (continued)

KPMG Huazhen Shen Zi No. 2403585

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

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

- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within TIANJIN JINRAN PUBLIC 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 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, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.

KPMG Huazhen LLP Certified Public Accountants

Registered in the People's Republic of China

Chen Zimin (Engagement Partner)

Beijing, China

Jiao Lihua

28 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

(Expressed in Renminbi Yuan)

ASSETS	Note V	31 December 2023	31 December 2022
CURRENT ASSETS			
Cash and bank balances	1	789,606,526.80	1,067,256,503.97
Trade receivables	2	192,300,181.77	227,301,208.95
Receivables under financing	3	93,811,058.30	140,278,760.77
Prepayments		1,235,236.74	2,320,840.92
Other receivables	4	1,914,926.56	1,702,869.48
Inventories	5	2,035,300.70	4,277,384.14
Other current assets	6	896,986.69	35,858,336.72
Total current assets		1,081,800,217.56	1,478,995,904.95
NON-CURRENT ASSETS			
Long-term equity investments	7	53,896,495.69	54,902,040.73
Fixed assets	8	790,024,131.72	884,824,515.39
Construction in progress	9	18,783,002.67	13,027,994.64
Right-of-use assets	37	1,115,054.30	–
Intangible assets	10	10,674,909.70	11,165,918.69
Deferred tax assets	11	69,048,094.71	58,782,769.75
Other non-current assets	13	152,056,630.68	1,606,467.53
Total non-current assets		1,095,598,319.47	1,024,309,706.73
TOTAL ASSETS		2,177,398,537.03	2,503,305,611.68

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2023

(Expressed in Renminbi Yuan)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2023	31 December 2022
CURRENT LIABILITIES			
Trade payables	14	296,882,410.08	434,170,568.15
Contract liabilities	15	277,406,667.12	291,485,174.92
Employee benefits payable	16	18,654,491.01	17,545,053.63
Taxes payable	17	8,548,069.90	43,029,361.59
Other payables	18	23,146,201.41	39,178,709.80
Non-current liabilities due within one year	37	557,280.42	–
Other current liabilities	19	24,950,086.32	–
Total current liabilities		650,145,206.26	825,408,868.09
NON-CURRENT LIABILITIES			
Lease liabilities	37	577,964.91	–
Deferred income	20	96,941,785.44	92,418,010.48
Total non-current liabilities		97,519,750.35	92,418,010.48
Total liabilities		747,664,956.61	917,826,878.57
SHAREHOLDERS' EQUITY			
Share capital	21	183,930,780.00	183,930,780.00
Capital reserve	22	790,332,352.18	790,332,352.18
Specialised reserve	23	361.02	550,525.89
Surplus reserve	24	128,277,523.13	128,277,523.13
Retained earnings	25	328,132,030.25	483,304,751.98
Total equity attributable to shareholders of the Parent		1,430,673,046.58	1,586,395,933.18
Non-controlling interests		(939,466.16)	(917,200.07)
Total shareholders' equity		1,429,733,580.42	1,585,478,733.11
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,177,398,537.03	2,503,305,611.68

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative Wang Cong (Signature and seal)	Chief Financial Officer Sun Liangchuan (Signature and seal)	Head of Accounting Department Zhao Fengli (Signature and seal)	(Company seal)
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The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF THE PARENT

31 December 2023

(Expressed in Renminbi Yuan)

ASSETS	Note	31 December 2023	31 December 2022
CURRENT ASSETS			
Cash and bank balances	XII.1	789,315,145.77	1,066,861,168.40
Trade receivables	V.2	192,300,181.77	227,301,208.95
Receivables under financing	V.3	93,811,058.30	140,278,760.77
Prepayments		1,235,186.49	2,320,790.67
Other receivables	XII.2	6,044,842.13	5,648,524.05
Inventories	V.5	2,035,300.70	4,277,384.14
Other current assets		874,939.24	35,836,289.27
Total current assets		1,085,616,654.40	1,482,524,126.25
NON-CURRENT ASSETS			
Long-term equity investments	XII.3	53,896,495.69	54,902,040.73
Fixed assets	XII.4	790,024,131.72	884,824,515.39
Construction in progress		18,783,002.67	13,027,994.64
Right-of-use assets		1,115,054.30	–
Intangible assets		10,674,909.70	11,165,918.69
Deferred tax assets	XII.5	74,048,094.71	63,782,769.75
Other non-current assets	V.13	152,056,630.68	1,606,467.53
Total non-current assets		1,100,598,319.47	1,029,309,706.73
TOTAL ASSETS		2,186,214,973.87	2,511,833,832.98

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF THE PARENT (continued)

31 December 2023

(Expressed in Renminbi Yuan)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2023	31 December 2022
CURRENT LIABILITIES			
Trade payables	XII.6	296,836,410.08	434,026,568.15
Contract liabilities	V.15	277,406,667.12	291,485,174.92
Employee benefits payable		18,654,199.55	17,544,762.17
Taxes payable		8,526,262.76	43,007,253.05
Other payables	XII.7	20,544,833.41	36,577,341.80
Non-current liabilities due within one year		557,280.42	–
Other current liabilities	V.19	24,950,086.32	–
Total current liabilities		647,475,739.66	822,641,100.09
NON-CURRENT LIABILITIES			
Lease liabilities		577,964.91	–
Deferred income	V.20	96,941,785.44	92,418,010.48
Total non-current liabilities		97,519,750.35	92,418,010.48
Total liabilities		744,995,490.01	915,059,110.57
SHAREHOLDERS' EQUITY			
Share capital		183,930,780.00	183,930,780.00
Capital reserve		790,332,352.18	790,332,352.18
Specialised reserve		361.02	550,525.89
Surplus reserve		128,277,523.13	128,277,523.13
Retained earnings		338,678,467.53	493,683,541.21
Total shareholders' equity		1,441,219,483.86	1,596,774,722.41
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,186,214,973.87	2,511,833,832.98

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of	
Wang Cong	Sun Liangchuan	Accounting Department	(Company seal)
(Signature and seal)	(Signature and seal)	Zhao Fengli	
		(Signature and seal)	

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note V	2023	2022
Revenue	26	1,780,527,288.76	1,780,358,629.25
Less: Cost of sales	26	1,852,080,540.87	1,879,473,952.58
Taxes and surcharges	27	1,554,146.67	1,944,341.68
Administrative expenses		34,432,350.23	33,857,957.80
Finance net income	28	(24,597,721.17)	(32,614,764.79)
including: interest expenses		62,080.97	–
interest income		24,888,696.81	32,833,581.22
Add: Other income	29	5,057,193.03	2,353,956.28
Investment (loss)/income	30	(753,438.05)	5,673,148.56
including: share of (loss)/profit of an associate		(753,438.05)	5,673,148.56
Reversal of credit impairment	31	690,798.90	3,567,690.08
Asset impairment losses	32	(86,914,475.13)	–
Operating loss		(164,861,949.09)	(90,708,063.10)
Add: Non-operating income		4,219.69	3,976.31
Less: Non-operating expenses		602,583.38	2,186,954.71
Total loss		(165,460,312.78)	(92,891,041.50)
Less: Income tax expense	34	(10,265,324.96)	(24,458,953.47)
Net loss		(155,194,987.82)	(68,432,088.03)
Classified by continuity of operations			
Loss from continuing operations, net		(155,194,987.82)	(68,432,088.03)
Classified by ownership			
Net loss attributable to shareholders of the Parent		(155,172,721.73)	(68,345,251.96)
Loss attributable to non-controlling interests		(22,266.09)	(86,836.07)
Other comprehensive income, net of tax		–	–

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note V	2023	2022
Total comprehensive income		(155,194,987.82)	(68,432,088.03)
Including:			
Total comprehensive income attributable to shareholders of the Parent		(155,172,721.73)	(68,345,251.96)
Total comprehensive income attributable to non-controlling interests		(22,266.09)	(86,836.07)
Loss per share (RMB/Share)			
Basic loss per share	35	(0.084)	(0.037)
Diluted loss per share		(0.084)	(0.037)

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of	
Wang Cong	Sun Liangchuan	Accounting Department	(Company seal)
(Signature and seal)	(Signature and seal)	Zhao Fengli	
		(Signature and seal)	

The accompanying notes form part of these financial statements.

STATEMENT OF PROFIT OR LOSS OF THE PARENT

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note	2023	2022
Revenue	V.26	1,780,527,288.76	1,780,358,629.25
Less: Cost of sales	V.26	1,852,080,540.87	1,879,473,952.58
Taxes and surcharges		1,553,289.27	1,943,591.68
Administrative expenses		34,244,597.02	33,132,165.58
Finance net income	XII.8	(24,599,024.70)	(32,615,448.78)
including: interest expenses		62,080.97	–
interest income		24,888,037.04	32,831,952.31
Add: Other income		5,057,193.03	2,353,956.28
Investment (loss)/income	V.30	(753,438.05)	5,673,148.56
including: share of (loss)/profit of an associate		(753,438.05)	5,673,148.56
Reversal of credit impairment		690,798.90	3,567,690.08
Asset impairment losses		(86,914,475.13)	–
Operating loss		(164,672,034.95)	(89,980,836.89)
Add: Non-operating income		4,219.69	3,976.31
Less: Non-operating expenses		602,583.38	2,186,954.71
Total loss		(165,270,398.64)	(92,163,815.29)
Less: Income tax expense		(10,265,324.96)	(24,458,953.47)
Net loss		(155,005,073.68)	(67,704,861.82)
Including: net loss from continuing operations		(155,005,073.68)	(67,704,861.82)
Other comprehensive income, net of tax		–	–
Total comprehensive income		(155,005,073.68)	(67,704,861.82)

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of Accounting Department	(Company seal)
Wang Cong	Sun Liangchuan	Zhao Fengli	
(Signature and seal)	(Signature and seal)	(Signature and seal)	

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	Note V	2023	2022
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		2,009,816,105.94	1,778,456,813.37
Refunds of taxes		–	16,359,870.86
Cash received relating to other operating activities		31,838,844.26	36,880,925.16
Sub-total of cash inflows from operating activities		2,041,654,950.20	1,831,697,609.39
Cash paid for goods and services		1,947,212,553.54	1,581,425,324.59
Cash paid to and on behalf of employees		130,543,609.59	137,309,282.89
Cash paid for all types of taxes		4,189,085.30	34,272,014.51
Cash paid relating to other operating activities		22,345,911.38	47,865,388.83
Sub-total of cash outflows from operating activities		2,104,291,159.81	1,800,872,010.82
Net cash flows (used in)/from operating activities	36	(62,636,209.61)	30,825,598.57
2. Cash flows from investing activities			
Cash received from redemption of investments		100,000,000.00	110,000,000.00
Cash received from income on investments		3,192,000.00	6,767,384.05
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		74,995.99	813,649.32
Sub-total of cash inflows from investing activities		103,266,995.99	117,581,033.37
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets		128,711,515.04	120,943,030.97
Cash paid for acquisition of investments		86,500,000.00	–
Sub-total of cash outflows from investing activities		215,211,515.04	120,943,030.97
Net cash flows used in investing activities		(111,944,519.05)	(3,361,997.60)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	Note V	2023	2022
3. Cash flows from financing activities			
Sub-total of cash inflows from financing activities		–	–
Sub-total of cash outflows from financing activities		–	–
Net cash flows from financing activities		–	–
4. Effect of foreign exchange rate changes on cash and cash equivalents		–	–
5. Net (decrease)/increase in cash and cash equivalents		(174,580,728.66)	27,463,600.97
Add: Cash and cash equivalents at beginning of the year		964,053,334.91	936,589,733.94
6. Cash and cash equivalents at end of the year	36	789,472,606.25	964,053,334.91

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of	
Wang Cong	Sun Liangchuan	Accounting Department	(Company seal)
(Signature and seal)	(Signature and seal)	Zhao Fengli	
		(Signature and seal)	

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS OF THE PARENT

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	2023	2022
1. Cash flows from operating activities		
Cash received from sale of goods or rendering of services	2,009,816,105.94	1,778,456,813.37
Refunds of taxes	–	16,359,870.86
Cash received relating to other operating activities	31,838,184.49	36,879,296.25
Sub-total of cash inflows from operating activities	2,041,654,290.43	1,831,695,980.48
Cash paid for goods and services	1,947,212,553.54	1,581,610,130.15
Cash paid to and on behalf of employees	130,408,983.59	137,197,218.19
Cash paid for all types of taxes	4,187,926.50	34,206,506.40
Cash paid relating to other operating activities	22,411,744.08	48,006,082.68
Sub-total of cash outflows from operating activities	2,104,221,207.71	1,801,019,937.42
Net cash flows (used in)/from operating activities	(62,566,917.28)	30,676,043.06
2. Cash flows from investing activities		
Cash received from redemption of investments	100,000,000.00	110,000,000.00
Cash received from income on investments	3,192,000.00	6,767,384.05
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	74,995.99	813,649.32
Sub-total of cash inflows from investing activities	103,266,995.99	117,581,033.37
Cash paid for acquisitions of fixed assets, intangible assets, and other long-term assets	128,711,515.04	120,943,030.97
Cash paid for acquisition of investments	86,500,000.00	–
Sub-total of cash outflows from investing activities	215,211,515.04	120,943,030.97
Net cash flows used in investing activities	(111,944,519.05)	(3,361,997.60)

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS OF THE PARENT (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

	2023	2022
3. Cash flows from financing activities		
Sub-total of cash inflows from financing activities	–	–
Sub-total of cash outflows from financing activities	–	–
Net cash flows from financing activities	–	–
4. Effect of foreign exchange rate changes on cash and cash equivalents	–	–
5. Net (decrease)/increase in cash and cash equivalents	(174,511,436.33)	27,314,045.46
Add: Cash and cash equivalents at beginning of the year	963,826,582.10	936,512,536.64
6. Cash and cash equivalents at end of the year	789,315,145.77	963,826,582.10

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of	
Wang Cong	Sun Liangchuan	Accounting Department	(Company seal)
(Signature and seal)	(Signature and seal)	Zhao Fengli	
		(Signature and seal)	

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

2023

	Attributable to shareholders of the Parent						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Specialised reserve	Surplus reserve	Retained earnings	Sub-total		
I. At beginning of the year	183,930,780.00	790,332,352.18	550,525.89	128,277,523.13	483,304,751.98	1,586,395,933.18	(917,200.07)	1,585,478,733.11
II. Movements during the year								
(i) Total comprehensive income	-	-	-	-	(155,172,721.73)	(155,172,721.73)	(22,266.09)	(155,194,987.82)
(ii) Specialised reserve								
1. Appropriation for the year	-	-	21,455,098.73	-	-	21,455,098.73	-	21,455,098.73
2. Utilisation for the year	-	-	(22,005,263.60)	-	-	(22,005,263.60)	-	(22,005,263.60)
III. Closing balance	183,930,780.00	790,332,352.18	361.02	128,277,523.13	328,132,030.25	1,430,673,046.58	(939,466.16)	1,429,733,580.42

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of	
Wang Cong	Sun Liangchuan	Accounting Department	(Company seal)
(Signature and seal)	(Signature and seal)	Zhao Fengli	
		(Signature and seal)	

The accompanying notes form part of these financial statements.

2022

	Attributable to shareholders of the Parent						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Specialised reserve	Surplus reserve	Retained earnings	Sub-total		
I. At beginning 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
II. Movements during the year								
(i) Total comprehensive income	-	-	-	-	(68,345,251.96)	(68,345,251.96)	(86,836.07)	(68,432,088.03)
(ii) Specialised reserve								
1. Appropriation for the year	-	-	27,039,554.93	-	-	27,039,554.93	-	27,039,554.93
2. Utilisation for the year	-	-	(26,787,086.92)	-	-	(26,787,086.92)	-	(26,787,086.92)
III. Closing balance	183,930,780.00	790,332,352.18	550,525.89	128,277,523.13	483,304,751.98	1,586,395,933.18	(917,200.07)	1,585,478,733.11

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of	
Wang Cong	Sun Liangchuan	Accounting Department	(Company seal)
(Signature and seal)	(Signature and seal)	Zhao Fengli	
		(Signature and seal)	

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY OF THE PARENT

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

2023

	Share capital	Capital reserve	Specialised reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning of the year	183,930,780.00	790,332,352.18	550,525.89	128,277,523.13	493,683,541.21	1,596,774,722.41
II. Movements during the year						
(i) Total comprehensive income	-	-	-	-	(155,005,073.68)	(155,005,073.68)
(ii) Specialised reserve						
1. Appropriation for the year	-	-	21,455,098.73	-	-	21,455,098.73
2. Utilisation for the year	-	-	(22,005,263.60)	-	-	(22,005,263.60)
III. Closing balance	183,930,780.00	790,332,352.18	361.02	128,277,523.13	338,678,467.53	1,441,219,483.86

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of	
Wang Cong	Sun Liangchuan	Accounting Department	(Company seal)
(Signature and seal)	(Signature and seal)	Zhao Fengli	
		(Signature and seal)	

The accompanying notes form part of these financial statements.

2022

	Share capital	Capital reserve	Specialised reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At beginning 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
II. Movements during the year						
(i) Total comprehensive income	-	-	-	-	(67,704,861.82)	(67,704,861.82)
(ii) Specialised reserve						
1. Appropriation for the year	-	-	27,039,554.93	-	-	27,039,554.93
2. Utilisation for the year	-	-	(26,787,086.92)	-	-	(26,787,086.92)
III. Closing balance	183,930,780.00	790,332,352.18	550,525.89	128,277,523.13	493,683,541.21	1,596,774,722.41

The financial statements have been approved by the Board of Directors on 28 March 2024.

Legal Representative	Chief Financial Officer	Head of	
Wang Cong	Sun Liangchuan	Accounting Department	(Company seal)
(Signature and seal)	(Signature and seal)	Zhao Fengli	
		(Signature and seal)	

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

I. BASIC INFORMATION

Tianjin Jinran Public Utilities Company Limited (the “Company”) is a joint stock limited company registered in Tianjin, the People’s Republic of China (the “PRC”) on 16 December 1998. The Company’s overseas listed foreign shares (“H shares”) were listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s headquarters is located at 5th Floor, Court A, No. 28 Nankai Fourth Road, Nankai District, Tianjin, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to the “Group”) are pipeline natural gas sales, gas appliance sales, gas pipeline connection services, and gas pipeline transportation services.

The Company’s previous parent company was Tianjin Gas Group Company Limited (天津市燃氣集團有限公司) (“Tianjin Gas”). On 28 April 2022, Tianjin Gas and Jinran China Resources (津燃華潤燃氣有限公司) (“Jinran China Resources”, a joint venture of Tianjin Gas and China Resource Gas (Hong Kong) Investment Limited) entered into a domestic share transfer agreement for the transfer of 1,297,547,800 Domestic Shares (representing 70.54% of the total issued share capital of the Company) held by Tianjin Gas to Jinran China Resources at a price of RMB0.899 per share amounting to a total consideration of RMB1,167,166,362.82. The share transfer was completed on 25 May 2022. Since then, the Company’s holding company became Jinran China Resources.

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

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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 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)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises, which are also referred to as China Accounting Standards (“CAS”), issued by the Ministry of Finance (“MOF”) of the People’s Republic of China, as well as the specific accounting standards, application guidelines, interpretations and other relevant regulations subsequently issued and revised. The financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

These financial statements present truly and completely the consolidated and company financial position of the Company as at 31 December 2023, and the consolidated and company financial performance and cash flows of the Company for the year then ended.

2. Accounting period

The accounting year is from 1 January to 31 December.

3. Functional currency

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

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

4. Business combinations

Business combinations involve entities under common control and not 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.

The assets acquired and liabilities assumed (including goodwill arising from the acquisition of acquiree by the ultimate controlling party) are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

Business combination not under common control

A business combination involving entities not 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 business combination.

Identifiable assets, liabilities and contingent liabilities of the acquiree obtained in business combination not under the same control are measured at fair value on the acquisition date.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

4. Business combinations *(continued)*

Business combination not under common control *(continued)*

The difference between the sum of the fair value of the consideration paid for the merger (or the fair value of the equity securities issued) and the fair value of the equity of the acquiree held before the acquisition date, which is greater than the fair value of the identifiable net assets of the acquiree obtained in the merger, is recognized as goodwill, and is subsequently measured at cost less accumulated impairment losses. If the sum of the fair value of the combination consideration paid (or the fair value of the equity securities issued) and the fair value of the acquiree's equity held before the purchase date is less than the fair value share of the acquiree's identifiable net assets obtained in the combination, the measurement of the fair value of identifiable assets, liabilities and contingent liabilities, the fair value of the merger consideration paid (or the fair value of the equity securities issued) and the fair value of the equity of the acquiree held before the purchase date shall be reviewed. If the sum of the fair value of the merger consideration paid after review (or the fair value of the equity securities issued) and the fair value of the acquiree's equity held before the purchase date is still less than the fair value of the acquiree's identifiable net assets obtained in the merger, the difference is included in the current profits and losses.

5. Consolidated financial statements

The scope of consolidated financial statements is based on control, and the consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries refer to the entities controlled by the Company (including the separable parts of enterprises and investees, as well as the structured entities controlled by the Company). Control exists when the investor has all of the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

When preparing the consolidated financial statements, the subsidiaries adopt the same accounting year and accounting policies as the Company. All assets, liabilities, equity, income, expenses and cash flows arising from all transactions between companies within the Group shall be offset in full upon consolidation.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

5. Consolidated financial statements *(continued)*

For subsidiaries acquired through business combination not under the same control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the date when the Group obtains control until the Group terminates its control. When preparing consolidated financial statements, the financial statements of subsidiaries are adjusted on the basis of the fair value of various identifiable assets, liabilities and contingent liabilities determined on the purchase date.

For subsidiaries acquired through business combination under the same control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the beginning of the current period. When the comparative consolidated financial statements are prepared, the relevant items of the previous financial statements are adjusted as if the reporting entity formed after the consolidation had existed since the final controller began to implement control.

If the change of relevant facts and circumstances results in the change of one or more of the control elements, the Group reassesses whether to control the investee.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

7. Financial instruments

The Group's financial instruments include cash and bank balances, notes receivable, accounts receivable, receivables financing, payables, etc.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Trade receivables that do not have a significant financing component or do not account for the significant financing component in one-year-or-less contracts under the practical expedient are initially measured at the transaction price in accordance with Note III.18.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets *(continued)*

(a) Classification of financial assets *(continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets *(continued)*

(a) Classification of financial assets *(continued)*

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets *(continued)*

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets measured at amortized cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and that is not part of a hedging relationship should be recognised in profit or loss when the financial asset is derecognised, reclassified, amortised under the effective interest method or when an impairment gain or loss is recognised.

- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or as financial liabilities measured at amortised cost.

– Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liabilities) or if it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value; and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

– Financial liabilities at amortized cost

These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(5) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred; and although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the financial asset derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- contract assets;

Measurement of ECLs

ECLs are the weighted average of credit losses on financial instruments weighted by the risk of default. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(6) Impairment *(continued)*

Measurement of ECLs (continued)

For notes receivable, accounts receivable, receivables financing and contract assets derived from daily business activities such as sale of goods or rendering of services, the Group will measure the loss allowances at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for notes receivable, accounts receivable, receivables financing and contract assets, the Group measures loss allowances at an amount equal to 12-month ECLs for the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments:

- Financial instruments that have been determined to have low credit risk at the balance sheet date; or
- Financial instruments for which credit risk has not increased significantly since initial recognition.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(6) Impairment *(continued)*

Bad debt provision of receivables

- Portfolio category and determination basis for withdrawing bad debt provision according to credit risk characteristics portfolio

Notes receivable	According to the different credit risk characteristics of acceptors, the Group divides bills receivable into two combinations: bank acceptance bills and financial company acceptance bills.
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Accounts receivable	According to the historical experience of the Group, there is no significant difference in the losses of different customer segments. Therefore, the Group regards all accounts receivable as a combination, and does not further distinguish different customer groups when calculating the bad debt provision for accounts receivable.
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Receivables financing	Receivables financing of the Group is bank acceptance bills receivable with dual holding purpose. The Group regards all receivables financing as a portfolio.
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Other receivables	Other receivables of the Group mainly include deposit receivable, employee reserve receivable, current accounts, etc. According to the nature of receivables and the credit risk characteristics of different counterparties, the Group regards all other receivables as a combination, and does not further distinguish different customer groups when calculating the bad debt provision for other receivables.
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Contract assets	According to the historical experience of the Group, there is no significant difference in the losses of different customer segments. Therefore, the Group regards all contract assets as a combination, and does not further distinguish different customer groups when calculating the bad debt provision for contract assets.
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NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Financial instruments (continued)

(6) Impairment (continued)

Bad debt provision of receivables (continued)

- Judgment standard for single provision of bad debt reserves

Reasons for separate provision for bad debt	If there is objective evidence indicating that the credit risk of a single account receivable and other receivables is relatively high, then separate provision for bad debts of such accounts receivable and other receivables is made
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The provision method for bad debt	Bad debt provision shall be separately tested for impairment, according to the difference between the present value of its future cash flow and the book value
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Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(6) Impairment *(continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractual due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

7. Financial instruments (continued)

(6) Impairment (continued)

Significant increases in credit risk (continued)

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulties of the issuer or debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulties, the Group having granted to the debtor a concession that it would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties of the issuer or debtor.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

7. Financial instruments *(continued)*

(6) Impairment *(continued)*

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This generally occurs when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

8. Inventory

Inventories include gas meters and others.

Inventories are initially measured at cost, which The cost of inventories comprises all costs of purchase, costs of conversion and other expenditure. Cost of inventories recognised is calculated using the first-in-first-out method. Consumables including low-value consumables and packaging materials are charged to profit or loss upon receipt.

The perpetual inventory system is adopted for inventory.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. If the cost is higher than net realizable value, inventory falling price reserves are withdrawn and included in the current profits and losses. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. When the provision for inventory depreciation is made, it is made according to a single inventory item.

Costs to fulfil a contract classified as current assets are presented in inventories.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

9. Long-term equity investments

Long term equity investment includes equity investment in subsidiaries and associated enterprises.

Long term equity investment is initially measured at the initial investment cost upon acquisition. For long-term equity investment obtained through business combination under the same control, the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the final controller on the combination date shall be regarded as the initial investment cost; Adjust the capital reserve for the difference between the initial investment cost and the book value of the consolidation (if it is deficient to offset, offsetting the retained earnings); Other comprehensive income before the merger date shall be accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities when disposing of the investment. The shareholder's equity recognized due to changes in other shareholders' equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the current profit and loss when disposing of the investment; Among them, the long-term equity investment after disposal shall be carried forward in proportion, and the long-term equity investment converted into financial instruments after disposal shall be carried forward in full. For long-term equity investment obtained through business combination not under the same control, the combination cost is taken as the initial investment cost (if business combination not under the same control is realized step by step through multiple transactions, the sum of the book value of the equity investment held by the acquiree before the acquisition date and the newly increased investment cost on the acquisition date is taken as the initial investment cost), and the combination cost includes the assets paid, liabilities incurred or assumed by the acquirer. The sum of the fair values of the equity securities issued; Other comprehensive income held before the purchase date and recognized as a result of accounting using the equity method shall be subject to accounting treatment on the same basis as the investee's direct disposal of relevant assets or liabilities when disposing of the investment. The shareholder's equity recognized as a result of changes in other shareholders' equity of the investee except for net profit and loss, other comprehensive income and profit distribution shall be transferred to the current profit and loss when disposing of the investment; Among them, the long-term equity investment after disposal shall be carried forward in proportion, and the long-term equity investment converted into financial instruments after disposal shall be carried forward in full. For long-term equity investment obtained by means other than the long-term equity investment formed by business merger, the initial investment cost shall be determined according to the following methods: for those obtained by paying cash, the actual purchase price paid and the expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment shall be regarded as the initial investment cost; For those obtained by issuing equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost.

The long-term equity investment that the Company can control over the invested entity is accounted by cost method in the Company's individual financial statements. Control means having the power over the investee, enjoying variable returns by participating in the relevant activities of the investee, and having the ability to use the power over the investee to affect the amount of returns.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

When the cost method is adopted, the long-term equity investment is priced at the initial investment cost. If the investment is added or recovered, the cost of long-term equity investment shall be adjusted. The cash dividends or profits declared to be distributed by the investee are recognized as the current investment income.

If the Group has a significant impact on the investee, the long-term equity investment is accounted for using the equity method. Significant influence refers to having the right to participate in the decision-making of the financial and operating policies of the invested entity, but not being able to control or jointly control the formulation of these policies with other parties.

When the equity method is adopted, if the initial investment cost of a long-term equity investment is greater than the fair value share of the identifiable net assets of the invested entity that should be enjoyed at the time of investment, it shall be included in the initial investment cost of the long-term equity investment; If the initial investment cost of a long-term equity investment is less than the fair value share of the identifiable net assets of the invested entity that should be enjoyed at the time of investment, the difference is included in the current profits and losses, and the cost of the long-term equity investment is adjusted at the same time.

When the equity method is adopted, after obtaining the long-term equity investment, the investment profit and loss and other comprehensive income shall be recognized and the book value of the long-term equity investment shall be adjusted according to the share of the net profit and loss and other comprehensive income realized by the investee that should be enjoyed or shared. When recognizing the attributable share of the net profit and loss of the investee, based on the fair value of the identifiable assets of the investee at the time of obtaining the investment, in accordance with the Group's accounting policies and accounting period, and offset the internal transaction profit and loss incurred with the associated enterprise, the part attributable to the investor shall be calculated according to the attributable proportion (but if the internal transaction loss belongs to the asset impairment loss, it shall be recognized in full), The net profit of the investee is recognized after adjustment, except that the assets invested or sold constitute business. The book value of long-term equity investment shall be reduced accordingly according to the attributable part calculated according to the profits or cash dividends declared to be distributed by the investee. The Group recognizes the net loss of the investee to the extent that the book value of the long-term equity investment and other long-term interests that substantially constitute the net investment in the investee are written down to zero, unless the Group is obligated to bear additional losses. For other changes in shareholders' equity of the investee other than net profit and loss, other comprehensive income and profit distribution, the book value of long-term equity investment shall be adjusted and included in shareholders' equity.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

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

For disposal of long-term equity investment, the difference between its book value and the actually obtained price shall be included in the current profits and losses. For the long-term equity investment accounted by the equity method, if the equity method is terminated due to disposal, the relevant other comprehensive income accounted by the original equity method shall be subject to accounting treatment on the same basis as the investee's direct disposal of relevant assets or liabilities, and the shareholders' equity recognized due to changes in other shareholders' equity of the investee other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the current profit and loss; If the equity method is still adopted, the relevant other comprehensive income accounted by the original equity method shall be accounted for on the same basis as the investee's direct disposal of relevant assets or liabilities and transferred into the current profits and losses in proportion. The shareholders' equity recognized due to changes in the investee's shareholders' equity other than net profits and losses, other comprehensive income and profit distribution shall be transferred into the current profits and losses in corresponding proportion.

10. Fixed assets

Fixed assets refer to tangible assets held by the Group for the purpose of providing labor services, leasing or operation management, with a service life of more than one accounting year. Fixed assets are recognized only when their related economic benefits are likely to flow into the Group and their costs can be reliably measured. Subsequent expenditures related to fixed assets that meet the recognition conditions shall be included in the cost of fixed assets, and the book value of the replaced part shall be derecognized; Otherwise, it shall be included in the current profit and loss when it occurs.

Fixed assets are initially measured at cost. The cost of purchasing fixed assets includes the purchase price, relevant taxes, and other expenses incurred before the fixed assets reach the expected serviceable condition that can be directly attributable to the asset.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

10. Fixed assets *(continued)*

The depreciation of fixed assets is accrued using the straight-line method. The service life, estimated net residual value rate and annual depreciation rate of various fixed assets are as follows:

	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	40 years	10%	2.25%
Pipelines	25-30 years	5%-10%	3.00%-3.80%
Machinery	10-25 years	10%	3.60%-9.00%
Vehicles	5 years	10%	18.00%
Electronics, furniture and fixtures	5 years	10%	18.00%
Mining structures	6 years	—	16.67%

The Group shall review the service life, estimate net residual value and depreciation method of fixed assets at least at the end of each year, and make adjustments if necessary.

See Note III, 14 for impairment test method and impairment provision withdrawing method.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

10. Fixed assets *(continued)*

The Group will derecognize fixed assets if they meet one of the following conditions:

- Fixed assets are under disposal;
- The fixed assets are not expected to generate economic benefits through use or disposal.

The profit and loss arising from scrapping or disposal of fixed assets is the difference between the net amount of disposal proceeds and the carrying amount of the project, and is recognized in the profit and loss on the date of scrapping or disposal.

11. Construction in progress

The cost of construction in progress is determined according to the actual project expenditure, including all necessary project expenditures and other related expenses incurred during the construction in progress.

Construction in progress is transferred to fixed assets when it reaches the expected serviceable condition.

Category	Fixed assets transfer standard and time point
Buildings	When meeting the acceptance standards for building installation
Pipelines	When the project engineering reaching the intended serviceable condition
Machinery	When meeting the design requirements or the standards specified in the contract after installation and commissioning
Vehicles	When reaching the intended serviceable condition
Electronics, furniture and fixtures	When reaching the intended serviceable condition
Mining structures	When reaching the intended serviceable condition

Construction in progress is presented in the balance sheet at the cost minus the provision for impairment (see Note III, 14).

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

12. Right-of-use assets

On the beginning date of the lease term, the Group recognizes its right to use the leased asset during the lease term as the right to use asset, and initially measures it at cost. The cost of the right of use asset includes: the initial measurement amount of the lease liability; The lease payment amount paid on or before the start date of the lease term, if there is a lease incentive, will be deducted from the relevant amount of the lease incentive already enjoyed; Initial direct expenses incurred by the lessee; The estimated cost of the lessee to dismantle and remove the leased asset, restore the site where the leased asset is located or restore the leased asset to the state agreed in the lease terms. If the Group remeasures lease liabilities due to changes in lease payments, the book value of the right of use assets shall be adjusted accordingly. The Group subsequently adopts the straight-line method to accrue depreciation on the right of use assets. If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, the Group will accrue depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the expiration of the lease term, the Group shall accrue depreciation during the lease term or the remaining service life of the leased asset, whichever is shorter.

13. Intangible assets

Intangible assets refer to identifiable non monetary assets without physical form owned or controlled by the Group. Intangible assets are recognized only when their related economic benefits are likely to flow into the Group and their costs can be reliably measured, and are initially measured at cost.

The service life of intangible assets shall be determined according to the period in which they can bring economic benefits to the Group. If the period in which they can bring economic benefits to the Group cannot be predicted, they shall be regarded as intangible assets with uncertain service life.

The useful lives of the intangible assets, the basis for determination and the amortization method are as follows:

Item	Useful life	Basis for determination	Amortization method
Land use rights	40-70 years	Approved service life of land use right	Straight-line method
Software	10 years	Software license service life	Straight-line method
Mineral rights	6 years	Approved service life of mining right	Straight-line method

The land use right obtained by the Group is usually accounted as intangible assets.

Intangible assets with limited service life shall be amortized with straight-line. The Group reviews the service life and amortization method of intangible assets with limited service life at least at the end of each year, and makes adjustments if necessary.

NOTES TO FINANCIAL STATEMENTS (continued)

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

14. Impairment of assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets
- Construction in progress
- Right-of-use assets
- Intangible assets
- Long-term equity investment, etc

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, an intangible asset with an indefinite useful life and intangible assets that have not been ready for intended use are tested for impairment at least at each year-end, irrespective of whether there is any indication that the asset may be impaired.

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. The asset group is composed of assets related to the creation of cash inflows, which is the smallest asset portfolio that can be identified. The cash inflows generated by the asset group are basically independent of 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.

The present value of the expected future cash flow of the asset is determined by selecting an appropriate pre tax discount rate based on the expected future cash flow generated during the continuous use and final disposal of the asset.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Impairment of assets *(continued)*

For the purpose of impairment testing, the carrying amount of goodwill arising from 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.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly to reduce the carrying amount to the recoverable amount. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocations would not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal (if measurable), the present value of its expected future cash flows (if determinable) and zero.

Once the above impairment loss is recognised, it should not be reversed in a subsequent period.

15. Employee benefits

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

Short-term benefits

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

NOTES TO FINANCIAL STATEMENTS (continued)

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

15. Employee benefits *(continued)*

Post-employment benefits (Defined contribution plan)

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

Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: when the Group can no longer unilaterally withdraw the offer of those benefits due to dissolution of labour relationship plan or layoff proposal; and 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. Lease payments include fixed payments and substantial fixed payments less lease incentives, variable lease payments that depend on indices or ratios, expected payments based on guaranteed residual value, and the exercise price of a purchase option or payment for the exercise of a termination lease option, provided that the Group is reasonably certain that the option will be exercised or that the lease term reflects that the Group will exercise the termination lease option.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

16. Lease liabilities *(continued)*

After the commencement date of the lease period, the Group increases the carrying amount of lease liabilities when recognizing interest, and decreases the carrying amount of lease liabilities when paying lease payments. 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.

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:

- The obligation is a present obligation of the Group;
- It is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- The amount of the obligation can be measured reliably.

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

NOTES TO FINANCIAL STATEMENTS (continued)

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

18. Revenue from contracts with customers

Revenue is the total inflow of economic benefits generated in the daily activities of the Group, which will lead to the increase of shareholders' equity and is unrelated to the capital invested by shareholders.

The Group recognizes revenue when it fulfills its contractual obligations, that is, when the customer obtains control over the relevant goods or services.

If the contract contains two or more performance obligations, the Group will allocate the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation on the contract start date, and measure the revenue based on the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration that the Group is expected to be entitled to receive due to the transfer of goods or services to customers, excluding the amount collected on behalf of a third party. The transaction price recognized by the Group does not exceed the amount that the accumulated recognized revenue is unlikely to be significantly reversed when the relevant uncertainty is eliminated.

If one of the following conditions is met, the Group will perform its performance obligations within a certain period of time; otherwise, it will perform its performance obligations at a certain point of time:

- Customers obtain and consume the economic benefits brought by the Group's performance at the same time as the Group's performance;
- Customers can control the goods under construction during the performance of the Group;
- The goods produced by the Group in the process of performance have irreplaceable uses, and the Group has the right to collect payment for the performance that has been completed so far during the whole contract period.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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

Revenue from sales of goods contracts

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

Revenue from gas connection contracts

The gas connection contract between the Group and customers usually includes the performance obligation to provide customers with gas network connection services, and the income is recognized by the time period method. The Group determines the connection progress of gas pipeline network by using the proportion of the accumulated actual cost in the estimated total cost (i.e. cost method), and recognizes the revenue according to the performance progress.

Gas pipeline transmission contract

The gas pipeline transportation contract between the Group and customers usually includes the performance obligation of providing customers with gas pipeline transportation service revenue. The revenue is recognized when customers obtain services. The Group regards it as the performance obligation to be performed in a certain period of time, and the revenue is recognized according to the performance progress, except that the performance progress cannot 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.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

19. Contract assets and contract liabilities *(continued)*

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.

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)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

21. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognized for temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss), and the initial recognition of the assets and liabilities does not result in taxable temporary differences and deductible temporary differences in equal amounts. Deferred tax is also not recognized for temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reductions are reversed to the extent that it becomes probable that sufficient taxable profits will be available.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

21. Income tax *(continued)*

At the balance sheet date, deferred tax assets and liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle the 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.

22. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

Except for short-term leases and low value asset leases, the Group recognizes right of use assets and lease liabilities for leases, please refer to Notes III.12 and 16.

Short term lease and low-value asset lease

The Group has elected not to recognise right-of-use assets and lease liabilities (for short-term leases that have a lease term of 12 months) or less and leases of low-value assets (when a single leased asset is a new asset, the value is lower).The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

22. Leases *(continued)*

As a 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. The initial direct costs are capitalized and amortized on the same basis as rental income recognition during the lease term, and included in the current profit and loss in installments.

For a single transaction that is not a business combination, does not affect accounting profit or taxable income (or deductible loss) when the transaction occurs, and the initially recognized assets and liabilities result in an equal amount of taxable temporary difference and deductible temporary difference, that is, a lease transaction, the provisions of the “CAS Bulletin No.18 - Income Tax” on exemption from initial recognition of deferred income tax liabilities and deferred income tax assets are not applicable. The Group recognizes the corresponding deferred income tax liabilities for the new taxable temporary differences arising from the initial recognition of the transaction in accordance with “CAS Bulletin No.18 - Income Tax” and other relevant provisions when the transaction occurs.

The Group has sufficient deductible temporary differences of unrecognized deferred income assets when the above-mentioned new taxable temporary differences are reversed in future periods, so it has recognized deferred income tax assets equal to the amount of deferred income tax liabilities. The newly recognized deferred income tax assets and deferred income tax liabilities meet the conditions for presenting the net amount in the balance sheet.

23. Profit distribution

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

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

24. Safety production cost

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.

25. Fair value measurements

The Group measures receivables under 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.

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 measured at fair value and recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation on each balance sheet date.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

26. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as the underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In addition to the accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets (see Notes III.10 and 13) and provision for impairment of various types of assets (see Notes V.2, 4, 7, 8, 9, 10 and Notes XII.2, 4), other significant accounting estimates are as follows:

Impairment of fixed assets

The Group assesses whether there are any indications of impairment for fixed asset at the balance sheet date. For fixed assets with signs of impairment, the Group compares the book value of each relevant asset group with its recoverable amount to determine the amount of impairment loss. The recoverable amount is determined according to the higher of the present value of the estimated future cash flow and the net amount of the fair value less the disposal expenses. The calculation of the present value of the expected future cash flow requires the management to make significant judgments, especially the estimation of key assumptions such as the future gas sales volume, the price difference between the purchase and sale of natural gas and the applicable discount rate.

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)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

27. Changes in significant accounting policies and accounting estimates

Description of and reasons for changes in accounting policies

In 2023, the Group has adopted the revised accounting requirements and guidance under China Accounting Standards (“CAS”) newly issued by the Ministry of Finance (“MOF”).

- (1) CAS No.25 - Insurance Contracts (Caikuai [2020] No.20) (“the new insurance standard”) and related implementation guidance

The new insurance standard replaces CAS No.25 – Direct Insurance Contracts and CAS No.26 - Reinsurance Contracts issued in 2006, as well as the Provisions on the Relevant Accounting Treatment for Insurance Contracts (Cai Kuai [2009] No. 15) issued in 2009.

There are no insurance related transactions in the Group. The adoption of new standards above does not have significant effects on the financial position and operating result of the Group.

- (2) “Accounting rules of the deferred tax related to assets and liabilities arising from a single transaction which is not applicable to the initial recognition exemption” in CAS Bulletin No.16 (Caikuai [2022] No.31) (“Bulletin No.16”)

The Group did not have such single transactions in the previous year, so this provision has no impact on the financial statements of the Group in the previous year. The new single transactions of this year are accounted for in accordance with the provisions of Bulletin No. 16.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

IV. TAXES

1. Major categories of taxes and respective tax rates

Value-added tax (VAT)	Revenue from sales of piped gas, gas connection and gas transportation is taxable to output VAT at a tax rate of 9% and revenue from gas appliances and other goods 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. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

1. Cash and bank balances

The Group

Item	31 December 2023	31 December 2022
Cash	–	9,000.00
Cash at banks	789,472,606.25	1,067,078,921.21
Other monetary funds	133,920.55	168,582.76
Total	789,606,526.80	1,067,256,503.97

As at 31 December 2023, the cash and bank balances amounting to RMB133,920.55 were restricted as guarantee deposits for environment protection (31 December 2022: RMB168,582.76). Refer to Note V.12 for the details.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

2. Trade receivables

The Group and the Company

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:

Ageing	31 December 2023	31 December 2022
Within 1 year	192,305,596.54	226,883,322.34
1 to 2 years	8,047.00	534,732.20
2 to 3 years	48,383.89	1,757,247.83
Over 3 years	11,693,493.40	10,572,044.54
Sub-total	204,055,520.83	239,747,346.91
Less: Provision for bad debts of trade receivables	11,755,339.06	12,446,137.96
Total	192,300,181.77	227,301,208.95

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

2. Trade receivables (continued)

The Group and the Company (continued)

The category of trade receivables is analysed below:

Category	31 December 2023					31 December 2022				
	Gross carrying amount		Provision for bad debts		Net carrying amount	Gross carrying amount		Provision for bad debts		Net carrying amount
	Amount	Percentage (%)	Amount	Accruing percentage (%)	Amount	Amount	Percentage (%)	Amount	Accruing percentage (%)	Amount
Provision for bad debts on individual basis	11,741,877.29	5.75	11,741,877.29	100.00	-	12,376,877.29	5.16	12,376,877.29	100.00	-
Provision for bad debts by credit risk characteristic group	192,313,643.54	94.25	13,461.77	0.01	192,300,181.77	227,370,469.62	94.84	69,260.67	0.03	227,301,208.95
Total	204,055,520.83	100.00	11,755,339.06	5.76	192,300,181.77	239,747,346.91	100.00	12,446,137.96	5.19	227,301,208.95

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

	31 December 2023			31 December 2022		
	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	192,052,454.96	-	-	226,613,398.02	-	-
6 months to 1 year	253,141.58	5.00	12,657.07	269,924.32	5.00	13,496.22
1 to 2 years	8,047.00	10.00	804.70	462,348.31	10.00	46,234.82
2 to 3 years	-	20.00	-	1,949.83	20.00	389.97
Over 3 years	-	40.00	-	22,849.14	40.00	9,139.66
Total	192,313,643.54	0.01	13,461.77	227,370,469.62	0.03	69,260.67

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

2. Trade receivables (continued)

The Group and the Company (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
2023	12,446,137.96	–	(690,798.90)	11,755,339.06
2022	16,013,828.04	419,942.72	(3,987,632.80)	12,446,137.96

3. Receivables under financing

The Group and the Company

Item	31 December 2023	31 December 2022
Bank acceptance bills receivable	56,511,058.30	140,278,760.77
Financial company acceptance bills receivable	37,300,000.00	–
Total	93,811,058.30	140,278,760.77

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

4. Other receivables

The Group

The ageing of other receivables is analysed below:

Ageing	31 December 2023	31 December 2022
Within 1 year	1,698,685.53	8,619.81
1 to 2 years	4,525.00	786,552.26
2 to 3 years	33,313.00	789,182.80
Over 3 years	2,667,344.32	2,607,455.90
Sub-total	4,403,867.85	4,191,810.77
Less: Provision for bad debts of other receivables	2,488,941.29	2,488,941.29
Total	1,914,926.56	1,702,869.48

Other receivables by nature are as follows:

Item	31 December 2023	31 December 2022
Employees' borrowings	177,213.83	212,503.63
Inter-company balance	3,831,700.98	3,628,285.18
Deposits and others	394,953.04	351,021.96
Subtotal	4,403,867.85	4,191,810.77
Less: Provision for bad debts of other receivables	2,488,941.29	2,488,941.29
Total	1,914,926.56	1,702,869.48

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

4. Other receivables (continued)

The Group (continued)

Bad debt reserves of other receivables:

	Stage 1 Expected credit losses over the next 12 months	Stage 2 Expected credit losses over entire duration- no credit impairment	Stage 3 Expected credit losses over entire duration- no credit impairment	Total
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For the year 31

December 2023 and
31 December 2022

–	–	2,488,941.29	2,488,941.29
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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
2023	2,488,941.29	–	–	2,488,941.29
2022	2,488,941.29	–	–	2,488,941.29

For the year 31 December 2023, the Group provided no bad debts (2022: Nil), and reversed no bad debts (2022: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

5. Inventories

The Group and the Company

Category of inventories	31 December 2023	31 December 2022
Gas appliances and others	2,035,300.70	4,277,384.14

As at 31 December 2023, the management of the Group considered that there was no provision for impairment of inventories (31 December 2022: Nil).

6. Other current assets

The Group

Item	31 December 2023	31 December 2022
Prepaid income tax	874,939.24	874,939.24
Input tax to be deducted and certified	22,047.45	34,983,397.48
Total	896,986.69	35,858,336.72

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

7. Long-term equity investments

The Group

2023

	Current year movements					Year-end provision for impairment
	Opening balance	Investment income/ loss under the equity method	Other equity movement	Cash dividends announced	Closing balance	
Associate 天津市濱海燃氣有限公司	54,902,040.73	(753,438.05)	(252,106.99)	-	53,896,495.69	-

2022

	Current year movements					Year-end provision for impairment
	Opening balance	Investment income/ loss under the equity method	Other equity movement	Cash dividends announced	Closing balance	
Associate 天津市濱海燃氣有限公司	49,135,974.84	5,673,148.56	252,468.01	(159,550.68)	54,902,040.73	-

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

8. Fixed assets

The Group

2023

Item	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening balance	48,990,991.60	1,296,365,869.44	256,458,795.55	5,662,876.27	11,069,076.07	4,558,482.24	1,623,106,091.17
Purchase	-	64,397.24	5,368,503.82	400,409.99	134,871.56	-	5,968,182.61
Transferred from construction in progress	-	18,282,106.55	37,083,976.00	-	19,470.00	-	55,385,552.55
Disposal or scrap	-	678,810.69	2,062,157.29	10,683.76	62,661.40	-	2,814,313.14
Closing balance	48,990,991.60	1,314,033,562.54	296,849,118.08	6,052,602.50	11,160,756.23	4,558,482.24	1,681,645,513.19
Accumulated depreciation							
Opening balance	17,956,243.77	628,917,672.55	68,567,884.74	4,883,683.17	7,330,719.89	2,747,063.24	730,403,267.36
Provision	1,083,517.14	49,832,878.76	16,925,347.11	95,293.13	789,271.38	-	68,726,307.52
Disposal or scrap	-	503,234.97	1,732,163.33	9,615.38	55,963.28	-	2,300,976.96
Closing balance	19,039,760.91	678,247,316.34	83,761,068.52	4,969,360.92	8,064,027.99	2,747,063.24	796,828,597.92
Impairment provision							
Opening balance (note 1)	-	-	5,994,508.25	59,716.88	12,664.29	1,811,419.00	7,878,308.42
Provision (note 2)	606,570.17	64,039,984.70	21,893,175.16	60,077.90	314,667.20	-	86,914,475.13
Disposal or scrap	-	-	-	-	-	-	-
Closing balance	606,570.17	64,039,984.70	27,887,683.41	119,794.78	327,331.49	1,811,419.00	94,792,783.55
Net carrying amount							
At end of the year	29,344,660.52	571,746,261.50	185,200,366.15	963,446.80	2,769,396.75	-	790,024,131.72
At beginning of the year	31,034,747.83	667,448,196.89	181,896,402.56	719,476.22	3,725,691.89	-	884,824,515.39

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

8. Fixed assets (continued)

The Group (continued)

2022

Item	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Mining structures	Total
Cost							
Opening 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
Purchase	-	370,591.82	33,415,206.30	182,906.11	19,494.12	-	33,988,198.35
Transferred from construction in progress	-	53,904,129.62	5,055,871.45	-	-	-	58,960,001.07
Disposal or scrap	-	1,552,682.47	1,983,811.05	11,410.25	45,284.11	-	3,593,187.88
Closing balance	48,990,991.60	1,296,365,869.44	256,458,795.55	5,662,876.27	11,069,076.07	4,558,482.24	1,623,106,091.17
Accumulated depreciation							
Opening 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
Provision	1,167,691.68	46,134,222.14	13,472,779.89	168,310.97	846,742.46	-	61,789,747.14
Disposal or scrap	-	562,720.14	1,449,686.24	9,969.22	36,304.70	-	2,058,680.30
Closing balance	17,956,243.77	628,917,672.55	68,567,884.74	4,883,683.17	7,330,719.89	2,747,063.24	730,403,267.36
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	31,034,747.83	667,448,196.89	181,896,402.56	719,476.22	3,725,691.89	-	884,824,515.39
At beginning 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

As at 31 December 2023, the Group had no fixed assets leased out under an operating lease (31 December 2022: Nil).

As at 31 December 2023, the Group had no fixed assets pending certificates of property ownership (31 December 2022: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

8. Fixed assets (continued)

The Group (continued)

Note 1: The provision for impairment of fixed assets made by the Group before January 1, 2023 is mainly the provision for impairment of fixed assets related to the closure of subsidiaries in full.

Note 2: In 2023, the Group made provision for impairment losses of fixed assets mainly because the economic performance of gas business operated in Tianjin region was lower than expected. The Group assessed the recoverable amount of related asset groups and made provision for impairment of RMB85,301,480.10 for the difference between the book value of related asset groups and the recoverable amount. The recoverable amount of the asset group is determined according to the present value of the estimated future cash flow, and the pre tax discount rate is 9.4% (2022: 10%). Tianjin Jinbei Torch Assets Appraisal Co., Ltd. has evaluated the recoverable amount of the above asset groups and issued the Project Valuation Report on the Present Value of Future Cash Flow of the Asset Group Related to the Long term Assets Involved in the Asset Impairment Test of Tianjin Jinran Public Utilities Co., Ltd. (Jinbei Huoju Appraisal Zi [2024] No. 001).

9. Construction in progress

The Group

Item	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Buildings	2,209,340.38	-	2,209,340.38	2,209,340.38	-	2,209,340.38
Pipeline Reconstruction	12,775,367.51	-	12,775,367.51	9,801,362.91	-	9,801,362.91
Other Reconstruction	4,833,294.78	(1,035,000.00)	3,798,294.78	2,052,291.35	(1,035,000.00)	1,017,291.35
Mines	408,920.27	(408,920.27)	-	408,920.27	(408,920.27)	-
Total	20,226,922.94	(1,443,920.27)	18,783,002.67	14,471,914.91	(1,443,920.27)	13,027,994.64

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

9. Construction in progress (continued)

The Group (continued)

The movements of construction in progress in 2023 are as follows:

Item	Opening balance	Addition	Decrease	Closing balance
Buildings	2,209,340.38	–	–	2,209,340.38
Pipeline reconstruction	9,801,362.91	15,046,010.99	12,072,006.39	12,775,367.51
Other Reconstruction	2,052,291.35	10,858,408.43	8,077,405.00	4,833,294.78
Indoor gas facility safety improvement project	–	35,236,141.16	35,236,141.16	–
Mines	408,920.27	–	–	408,920.27
Total	14,471,914.91	61,140,560.58	55,385,552.55	20,226,922.94

The movements of construction in progress in 2022 are as follows:

Item	Opening balance	Addition	Decrease	Closing balance
Buildings	2,138,040.00	71,300.38	–	2,209,340.38
Pipeline reconstruction	2,257,639.57	65,944,890.64	58,401,167.30	9,801,362.91
Other Reconstruction	1,512,668.61	1,098,456.51	558,833.77	2,052,291.35
Mines	408,920.27	–	–	408,920.27
Total	6,317,268.45	67,114,647.53	58,960,001.07	14,471,914.91

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

10. Intangible assets

The Group

2023

Item	Land use rights	Software	Mineral rights	Total
Cost				
Opening balance	14,316,891.30	1,886,375.47	16,765,984.00	32,969,250.77
Purchase	–	–	–	–
Transferred from construction in progress	–	–	–	–
Closing balance	14,316,891.30	1,886,375.47	16,765,984.00	32,969,250.77
Accumulated amortisation				
Opening balance	4,302,211.72	735,136.36	7,243,935.07	12,281,283.15
Provision	302,708.19	188,300.80	–	491,008.99
Closing balance	4,604,919.91	923,437.16	7,243,935.07	12,772,292.14
Impairment provision				
Opening balance (note1)	–	–	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	9,711,971.39	962,938.31	–	10,674,909.70
At beginning of the year	10,014,679.58	1,151,239.11	–	11,165,918.69

Note 1: The mining right license period is from September 2012 to July 2018. The Group terminated its mining business in advance and made full provision for impairment in 2017.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

10. Intangible assets (continued)

The Group (continued)

2022

Item	Land use rights	Software	Mineral rights	Total
Cost				
Opening balance	14,316,891.30	1,683,536.94	16,765,984.00	32,766,412.24
Purchase	–	202,838.53	–	202,838.53
Transferred from construction in progress	–	–	–	–
Closing balance	14,316,891.30	1,886,375.47	16,765,984.00	32,969,250.77
Accumulated amortisation				
Opening balance	3,999,889.76	550,819.50	7,243,935.07	11,794,644.33
Provision	302,321.96	184,316.86	–	486,638.82
Closing balance	4,302,211.72	735,136.36	7,243,935.07	12,281,283.15
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	10,014,679.58	1,151,239.11	–	11,165,918.69
At beginning of the year	10,317,001.54	1,132,717.44	–	11,449,718.98

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

11. Deferred tax assets

The Group

(1) *Deferred income tax assets not offset:*

Item	31 December 2023		31 December 2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	14,244,280.35	3,561,070.09	14,935,079.25	3,733,769.81
Provision for impairment of fixed assets	–	–	5,722,041.27	1,430,510.32
Provision for impairment of construction in progress	–	–	1,035,000.00	258,750.00
Deferred income	96,941,785.44	24,235,446.35	92,418,010.48	23,104,502.62
Deductible losses	164,986,122.00	41,246,530.51	121,020,947.99	30,255,237.00
Lease liabilities	1,135,245.33	283,811.33	–	–
Total	277,307,433.12	69,326,858.28	235,131,078.99	58,782,769.75

(2) *Deferred income tax liabilities not offset*

Item	31 December 2023		31 December 2022	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Use right assets	1,115,054.30	278,763.57	–	–

(3) *Deferred income tax assets or liabilities presented in net amount after offset*

Item	Closing offset amount of deferred income tax assets and liabilities	Deferred income tax assets or liabilities after offset Ending balance	Offset amount of deferred income tax assets and liabilities at the beginning of the period	Deferred income tax assets or liabilities after offset Opening balance
Deferred tax assets	278,763.57	69,048,094.71	–	58,782,769.75
Deferred tax liabilities	278,763.57	–	–	–

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

11. Deferred tax assets (continued)

The Group (continued)

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

Item	31 December 2023	31 December 2022
Deductible temporary differences	105,758,752.75	12,087,236.35
Deductible losses	31,473,669.24	5,663,445.29
Total	137,232,421.99	17,750,681.64

(5) Deductible losses of unrecognized deferred tax assets will expire in the following years:

Year	31 December 2023	31 December 2022
2023	–	1,553,395.38
2024	174,649.16	1,606,447.25
2025	1,343,361.65	988,851.41
2026	269,380.12	787,525.04
2027	4,430,771.58	727,226.21
2028	25,255,506.73	–
Total	31,473,669.24	5,663,445.29

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

12. Assets with restrictive ownership

The Group

Item	31 December 2023	31 December 2022
Other monetary funds	133,920.55	168,582.76

On 31 December 2023, the balance of the Group's deposit account with Industrial and Commercial Bank of China Limited Kaili Tianyi Sub branch was RMB133,920.55, which was the restricted environmental assessment governance deposit (31 December 2022: 168,582.76 yuan).

13. Other non-current asset

The Group and the Company

Item	31 December 2023	31 December 2022
Certificates of deposit (note 1)	86,877,000.00	–
Prepaid construction cost	526,857.53	–
Renovation of indoor gas facilities	64,652,773.15	1,606,467.53
Total	152,056,630.68	1,606,467.53

Note 1: The certificates of deposit are 3-year time deposits with a fixed interest rate of 2.9% per annum, which can be withdrawn before maturity, and early withdrawal of the certificates bears interest at the demand deposit rate.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

14. Trade payables

The Group

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

Ageing	31 December 2023	31 December 2022
Within 1 year	225,401,299.34	393,008,190.82
1 to 2 years	53,862,438.46	25,443,727.91
Over 2 years	17,618,672.28	15,718,649.42
Total	296,882,410.08	434,170,568.15

15. Contract liabilities

The Group and the Company

Item	31 December 2023	31 December 2022
Deposits for sales of piped gas	241,673,583.52	230,251,914.61
Advances from gas connection	34,300,910.01	55,034,545.70
Advances from sales of gas appliances	1,432,173.59	6,198,714.61
Total	277,406,667.12	291,485,174.92

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.

For details of information about revenue recognised that was included in contract liabilities at the beginning of the period and information about the Group's performance obligations for the Year, please refer to Note V.26. Revenue and cost of sales.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

16. Employee benefits payable

The Group

2023

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	17,547,305.16	117,103,066.65	115,995,880.80	18,654,491.01
Post-employment benefits (defined contribution plan)	(2,251.53)	14,549,980.32	14,547,728.79	–
Termination benefits	–	–	–	–
Total	17,545,053.63	131,653,046.97	130,543,609.59	18,654,491.01

2022

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	16,299,383.31	123,413,367.06	122,165,445.21	17,547,305.16
Post-employment benefits (defined contribution plan)	(4,732.01)	15,144,289.81	15,141,809.33	(2,251.53)
Termination benefits	–	–	–	–
Total	16,294,651.30	138,557,656.87	137,307,254.54	17,545,053.63

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

16. Employee benefits payable (continued)

The Group (continued)

Details of short-term employee benefits are as follows:

2023

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	13,815,752.54	92,202,446.00	91,037,636.12	14,980,562.42
Employee bonus and welfare fund	3,004,473.34	3,063,657.62	3,066,907.61	3,001,223.35
Social insurance	24,365.72	9,518,188.13	9,542,553.85	–
Including: Medical insurance	25,165.72	8,720,674.01	8,745,839.73	–
Work injury insurance	(800.00)	367,858.67	367,058.67	–
Maternity insurance	–	429,655.45	429,655.45	–
Housing fund	18,974.35	10,352,254.97	10,371,229.32	–
Union fund and employee education fund	683,739.21	1,966,519.93	1,977,553.90	672,705.24
Total	17,547,305.16	117,103,066.65	115,995,880.80	18,654,491.01

2022

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	12,543,117.35	97,235,380.45	95,962,745.26	13,815,752.54
Employee bonus and welfare fund	3,001,223.34	3,156,787.77	3,153,537.77	3,004,473.34
Social insurance	25,151.76	9,976,691.77	9,977,477.81	24,365.72
Including: Medical insurance	25,951.76	9,149,876.97	9,150,663.01	25,165.72
Work injury insurance	(800.00)	378,787.12	378,787.12	(800.00)
Maternity insurance	–	448,027.68	448,027.68	–
Housing fund	18,974.35	10,832,519.00	10,832,519.00	18,974.35
Union fund and employee education fund	710,916.51	2,211,988.07	2,239,165.37	683,739.21
Total	16,299,383.31	123,413,367.06	122,165,445.21	17,547,305.16

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

16. Employee benefits payable (continued)

The Group (continued)

Details of defined contribution plan are as follows:

2023

	Opening balance	Increase	Decrease	Closing balance
Social insurance – Basic pension insurance	5,791.43	14,109,026.86	14,114,818.29	–
Social insurance – Unemployment insurance	(8,042.96)	440,953.46	432,910.50	–
Total	(2,251.53)	14,549,980.32	14,547,728.79	–

2022

	Opening balance	Increase	Decrease	Closing balance
Social insurance – Basic pension insurance	3,310.95	14,685,435.61	14,682,955.13	5,791.43
Social insurance – Unemployment insurance	(8,042.96)	458,854.20	458,854.20	(8,042.96)
Total	(4,732.01)	15,144,289.81	15,141,809.33	(2,251.53)

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

17. Taxes payable

The Group

Item	31 December 2023	31 December 2022
Value-added tax	8,013,254.31	41,959,624.66
Others	534,815.59	1,069,736.93
Total	8,548,069.90	43,029,361.59

18. Other payables

The Group

Item	31 December 2023	31 December 2022
Payables to related parties	1,523,071.59	16,194,848.57
Accrued expenses	2,913,380.37	2,371,684.80
Others	18,709,749.45	20,612,176.43
Total	23,146,201.41	39,178,709.80

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

19. Other current liabilities

The Group and the Company

Item	31 December 2023	31 December 2022
Output tax to be transferred	24,950,086.32	–

20. Deferred income

The Group and the Company

	31 December 2023	31 December 2022
Government grants related to assets		
Opening balance	92,418,010.48	101,466,274.03
Increase	9,550,000.00	7,027,027.03
Amortisation	5,026,225.04	5,105,301.47
Decrease	–	10,969,989.11
Closing balance	96,941,785.44	92,418,010.48

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

20. Deferred income (continued)

The Group and the Company (continued)

Liabilities relevant to government grants as at 31 December 2023 are listed as follows:

Item	Opening balance	Increase	Recognised as other income	Other changes	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	2,714,946.66	-	(180,999.00)	-	2,533,947.66	Asset
富力桃園 medium pressure pipeline	2,704,452.03	-	(468,886.44)	-	2,235,565.59	Asset
Pipeline reconstruction	85,064,325.89	-	(4,186,476.10)	-	80,877,849.79	Asset
鄱陽南路魯思路 medium pressure pipeline	1,934,285.90	-	(99,042.60)	-	1,835,243.30	Asset
Indoor hidden danger rectification project	-	9,550,000.00	(90,820.90)	-	9,459,179.10	Asset
Total	92,418,010.48	9,550,000.00	(5,026,225.04)	-	96,941,785.44	

Liabilities relevant to government grants as at 31 December 2022 are listed as follows:

Item	Opening balance	Increase	Recognised as other income	Other changes	Closing balance	Relevant to asset/income
河畔星城 medium pressure pipeline	2,895,945.66	-	(180,999.00)	-	2,714,946.66	Asset
富力桃園 medium pressure pipeline	3,173,338.47	-	(468,886.44)	-	2,704,452.03	Asset
Pipeline reconstruction	93,363,661.40	7,027,027.03	(4,356,373.43)	(10,969,989.11)	85,064,325.89	Asset
鄱陽南路魯思路 medium pressure pipeline	2,033,328.50	-	(99,042.60)	-	1,934,285.90	Asset
Total	101,466,274.03	7,027,027.03	(5,105,301.47)	(10,969,989.11)	92,418,010.48	

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

21. Share capital

The Group

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

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

	31 December 2023		31 December 2022	
	Amount	Percentage	Amount	Percentage
Jinran China Resources	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%
Total	183,930,780.00	100.00%	183,930,780.00	100%

The above share capital contributed by shareholders 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, and Wuzhou Songde Yan Zi (2009) No.0004 and (2011) No.1-0052 capital verification reports issued by Wuzhou Songde Union Accounting Firm.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

22. Capital reserve

The Group

2023 and 2022

Item	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
Total	790,332,352.18	–	–	790,332,352.18

Note 1: The Company issued 300,000,000 H Shares at a price of HKD0.25 per share (par value of RMB 0.1 each) to offshore investors 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 RMB 0.1 each) to offshore investors 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, the Company acquired assets, such as pipeline network, at fair value of RMB590,001,734.68 from Tianjin Gas Group Company Limited (天津市燃氣集團有限公司) (“Tianjin Gas”). To satisfy the consideration, the Company issued 689,707,800 Domestic Shares (par value of RMB0.1 each) to Tianjin Gas which represented share capital of RMB68,970,780.00 and the premium of RMB521,030,954.68. The transaction was completed on 11 April 2011.

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

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

23. Specialised reserve

The Group and the Company

2023

Item	Opening balance	Increase	Decrease	Closing balance
Safety production funds	550,525.89	21,455,098.73	22,005,263.60	361.02

2022

Item	Opening balance	Increase	Decrease	Closing balance
Safety production funds	298,057.88	27,039,554.93	26,787,086.92	550,525.89

Pursuant to *Regulations for Withdrawal and Use of Expenses for Safety Production Funds of Enterprises*, 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 repairing, maintaining and installing safety facilities. The movement of the Year is the difference between the amount provided according to relevant regulations and the amount utilised during the Year.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

24. Surplus reserve

The Group

2023

Item	Opening balance	Increase	Decrease	Closing balance
Reserve fund and statutory surplus reserves	89,197,108.64	–	–	89,197,108.64
Enterprise expansion fund	39,080,414.49	–	–	39,080,414.49
Total	128,277,523.13	–	–	128,277,523.13

2022

Item	Opening balance	Increase	Decrease	Closing balance
Reserve fund and statutory surplus reserves	89,197,108.64	–	–	89,197,108.64
Enterprise expansion fund	39,080,414.49	–	–	39,080,414.49
Total	128,277,523.13	–	–	128,277,523.13

According to the 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)

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(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

25. Retained earnings

The Group

Item	31 December 2023	31 December 2022
Retained earnings at the beginning of the year	483,304,751.98	551,650,003.94
Net loss attributable to shareholders of the Parent	(155,172,721.73)	(68,345,251.96)
Less: Appropriation to statutory surplus reserves	–	–
Dividend payable on ordinary shares in cash	–	–
Retained earnings at the end of the year	328,132,030.25	483,304,751.98

NOTES TO FINANCIAL STATEMENTS (continued)

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V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

26. Revenue and cost of sales

The Group and the Company

Item	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	1,780,527,288.76	1,852,080,540.87	1,780,358,629.25	1,879,473,952.58

Revenue is stated as follows:

	2023	2022
Revenue from contracts with customers	1,780,527,288.76	1,778,523,766.87
Rentals	–	1,834,862.38
Total	1,780,527,288.76	1,780,358,629.25

Disaggregation of revenue from contracts with customers is as follows:

	2023	2022
Revenue recognition		
Revenue recognised at a point in time		
Sales of piped gas	1,724,927,637.16	1,727,833,561.02
Sales of gas appliances and others	4,492,834.42	3,894,037.60
Revenue recognised over time		
Gas connection income	50,917,178.62	46,470,268.27
Gas transportation	189,638.56	325,899.98
Total	1,780,527,288.76	1,778,523,766.87

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

26. Revenue and cost of sales (continued)

The Group and the Company (continued)

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

Item	2023	2022
Sales of piped gas	214,589,812.91	157,765,700.19
Gas connection income	31,021,080.65	48,482,262.94
Sales of gas appliances and others	1,347,660.71	5,593,397.62
Total	246,958,554.27	211,841,360.75

As at 31 December 2023, the transaction price allocated to the remaining performance obligation was RMB277,406,667.12 (31 December 2022: RMB291,485,174.92) 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.

27. Taxes and surcharges

The Group

Item	2023	2022
City maintenance and construction tax	52,748.10	425,484.70
Education supplementary tax	37,677.22	304,011.13
Tenure tax	373,943.50	373,943.50
Vehicle use tax	18,912.60	22,213.42
Stamp duty	692,329.98	436,867.51
Property tax	378,094.76	378,094.76
Others	440.51	3,726.66
Total	1,554,146.67	1,944,341.68

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

28. Finance net income

The Group

Item	2023	2022
Interest income	(24,888,696.81)	(32,833,581.22)
Interest expense on lease liabilities	62,080.97	–
Others	228,894.67	218,816.43
Total	(24,597,721.17)	(32,614,764.79)

29. Other income

The Group and the Company

Item	2023	2022
Government grants	5,057,193.03	2,353,956.28

Government grants classified by nature are as follows:

Classified by nature	2023	2022	
Deferred income (note 1)	5,026,225.04	1,543,990.58	Related to assets
Tax refund subsidy	18,225.38	15,242.42	Related to income
Others	12,742.61	794,723.28	Related to income
Total	5,057,193.03	2,353,956.28	

Note 1: Deferred income represents government grants related to the Group's renovation works. For details, please refer to Note V. 20.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

30. Investment (loss)/income

The Group and the Company

Item	2023	2022
(Loss)/profit from long-term equity investments under the equity method	(753,438.05)	5,673,148.56

31. Credit impairment losses

The Group and the Company

Item	2023	2022
Trade receivables	690,798.90	3,567,690.08

32. Asset impairment losses

The Group and the Company

Item	2023	2022
Fixed asset	(86,914,475.13)	—

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

33. Expenses by nature

The Group

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

Item	2023	2022
Cost of piped gas purchased	1,622,112,841.35	1,646,768,482.48
Cost of gas connection services	24,622,617.90	21,301,440.81
Cost of gas meters	3,282,040.48	2,651,137.50
Employee benefits	131,653,046.97	138,557,656.87
Depreciation and amortisation	69,936,840.41	62,276,385.96
Maintenance expenses	22,711,978.74	28,350,323.02
Agency fees	5,303,023.26	6,353,411.32
Labour protection expenses	1,060,093.84	905,221.93
Vehicle expenses	474,694.45	727,704.75
Others	5,355,713.70	5,440,145.74
Total	1,886,512,891.10	1,913,331,910.38

34. Income tax expense

The Group

Item	2023	2022
Current income tax expense	–	–
Deferred tax expense	(10,265,324.96)	(24,458,953.47)
Total	(10,265,324.96)	(24,458,953.47)

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

34. Income tax expense (continued)

The Group (continued)

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

Item	2023	2022
Total loss	(165,460,312.78)	(92,891,041.50)
Income tax expense at statutory tax rate	(41,365,078.20)	(23,222,610.38)
Income not subject to tax	–	(1,418,287.14)
Effect of non-taxable losses	188,359.51	–
Expenses not deductible for tax	40,909.71	287.50
Deductible temporary differences and tax losses not recognised	30,800,810.34	181,656.55
Tax filing differences	69,673.68	–
Income tax expense	(10,265,324.96)	(24,458,953.47)

35. Loss per share

	2023 RMB/Share	2022 RMB/Share
Basic loss per share	(0.084)	(0.037)
Diluted loss per share	(0.084)	(0.037)

The calculation of basic loss per share is based on the net loss for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

35. Loss per share (continued)

The calculation of the basic loss per share is as follows:

	2023	2022
Loss		
Net loss for the period attributable to ordinary shareholders of the Company	(155,172,721.73)	(68,345,251.96)
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.

36. Supplementary information to the statement of cash flows

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

Item	2023	2022
Net loss	(155,194,987.82)	(68,432,088.03)
Add: Impairment losses	86,914,475.13	–
Reversal of credit impairment	(690,798.90)	(3,567,690.08)
Depreciation of fixed assets	68,726,307.52	61,789,747.14
Amortisation of intangible assets	491,008.99	486,638.82
Depreciation of right of use assets	557,527.20	–
Amortization of other non current assets	161,996.70	–
Gains from disposal of fixed assets, intangible assets and other long-term assets	–	(2,519.03)
Losses on scrap of fixed assets	438,340.20	1,866,822.05
Decrease in deferred income	(4,523,774.96)	(9,048,263.55)
Finance income	(314,919.03)	(6,228,107.34)
Investment loss/(income)	753,438.05	(5,673,148.56)
Increase in deferred tax assets	(10,265,324.96)	(24,458,953.47)
Decrease in inventories	2,242,083.44	384,555.00
Decrease/(increase) in operating receivables	117,980,925.95	(177,770,569.42)
(Decrease)/increase in operating payables	(169,912,507.12)	261,479,175.04
Net cash flows (used in)/from operating activities	(62,636,209.61)	30,825,598.57

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

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

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

Movement in cash and cash equivalents:

Item	2023	2022
Closing balance of cash and cash equivalents	789,472,606.25	964,053,334.91
Less: Opening balance of cash and cash equivalents	964,053,334.91	936,589,733.94
Net (decrease)/increase in cash and cash equivalents	(174,580,728.66)	27,463,600.97

(2) Cash and cash equivalents

Item	2023	2022
Cash	789,472,606.25	964,053,334.91
Including: Cash on hand	–	9,000.00
Bank deposits on demand	789,472,606.25	964,044,334.91

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

37. Lease

The Group and the Company as the lessee

Right-of-use assets

Item	Buildings
Cost	
Balance at the beginning of the year	–
Additions during the year	1,672,581.50
	1,672,581.50
Balance at the end of the year	1,672,581.50
Accumulated depreciation	
Balance at the beginning of the year	–
Charge for the year	557,527.20
	557,527.20
Balance at the end of the year	557,527.20
Carrying amounts	
At the end of the year	1,115,054.30
	1,115,054.30
At the beginning of the year	–
	–

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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V. NOTE TO KEY ITEMS OF THE FINANCIAL STATEMENTS

(continued)

37. Lease (continued)

The Group and the Company as the lessee (continued)

Lease liabilities

Item	31 December 2023
Long-term lease liabilities	1,135,245.33
Less: Lease liabilities due within one year	557,280.42
Total	577,964.91

Item	2023	2022
Short-term lease expenses accounted for current profit or loss under the simplified approach	534,295.77	495,898.54
Total cash outflow for leases	460,300.00	477,800.00

The leased assets leased by the Group include houses, buildings and electronic equipment used in the business process, and the lease term is usually one year. The lease contract usually stipulates that the Group cannot sublease the leased asset.

The Group has no committed but not yet started leases.

Other lease information

For simplified treatment of short-term lease, see Note III 22.

NOTES TO FINANCIAL STATEMENTS (continued)

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(Expressed in Renminbi Yuan)

VI. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Details of subsidiaries of the Company are as follows:

	Principal place of business	Place of registration	Nature of company	Nature of business	Registered capital RMB	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, 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公司	Guizhou, the PRC	Guizhou, the PRC	Limited liability company	Mining business	5,000,000.00	100%	100%

2. Interests in an associate

Name	Principal place of business	Place of registration	Nature of company	Nature of business	Registered capital RMB	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 gas sales and transportation business. The Group adopted the equity method to measure this investment and it is not strategic to the Group's operation.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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VI. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in an associate (continued)

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

	31 December 2023	31 December 2022
Current assets	130,544,887.81	144,847,100.06
Non-current assets	225,634,253.80	232,199,440.07
Total assets	356,179,141.61	377,046,540.13
Current liabilities	119,077,659.76	115,095,241.23
Non-current liabilities	72,447,876.91	94,006,220.84
Total liabilities	191,525,536.67	209,101,462.07
Net assets	164,653,604.94	167,945,078.06
Net assets portion based on shareholding	50,301,676.31	51,307,221.35
Adjustment	3,594,819.38	3,594,819.38
Carrying amount of investment	53,896,495.69	54,902,040.73
	2023	2022
Revenue	258,626,053.33	276,544,221.38
Income tax expense	1,807,016.79	6,190,014.80
Net (loss)/profit	(2,466,245.67)	18,570,044.37
Other comprehensive income	–	–
Total comprehensive income	(2,466,245.67)	18,570,044.37
Dividends Received	–	159,550.68

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:

31 December 2023

Financial assets

	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Cash and bank balances	789,606,526.80	–	789,606,526.80
Trade receivables	192,300,181.77	–	192,300,181.77
Receivables under financing	–	93,811,058.30	93,811,058.30
Other receivables	1,914,926.56	–	1,914,926.56
Total	983,821,635.13	93,811,058.30	1,077,632,693.43

Financial liabilities

	Financial liabilities measured at amortised cost	Total
Trade payables	296,882,410.08	296,882,410.08
Other payables	23,146,201.41	23,146,201.41
Total	320,028,611.49	320,028,611.49

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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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)

31 December 2022

Financial assets

	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Cash and bank balances	1,067,256,503.97	–	1,067,256,503.97
Trade receivables	227,301,208.95	–	227,301,208.95
Receivables under financing	–	140,278,760.77	140,278,760.77
Other receivables	1,702,869.48	–	1,702,869.48
Total	1,296,260,582.40	140,278,760.77	1,436,539,343.17

Financial liabilities

	Financial liabilities measured at amortised cost	Total
Trade payables	434,170,568.15	434,170,568.15
Other payables	39,178,709.80	39,178,709.80
Total	473,349,277.95	473,349,277.95

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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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, bills receivables, trade receivables, receivables under financing, other non-current assets and trade payables. In this regard, risks arising from financial instruments and the Group's risk management policies which aim 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 and finance institution, the related credit risk of cash and bank balances, bills receivables, receivables under financing and other non-current assets is rather low.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Credit risk (continued)

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/counterparty, geographic areas and industries. As at 31 December 2023, the Group had certain concentrations of credit risk as 44% (31 December 2022: 42%) and 80% (31 December 2022: 86%) 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 Group, 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)

For the year ended 31 December 2023
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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Credit risk (continued)

Definition of credit-impaired financial assets

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Credit risk (continued)

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group do not provide any other guarantees which would expose the Group to credit risk.

Liquidity risk

The Group's management monitors the liquidity risk 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 financial liabilities based on the contractual undiscounted cash flow is as follows:

31 December 2023

Item	On demand	Within 3 months	3 months to 1 year	1 year to 2 years	Total
Trade payables	296,882,410.08	-	-	-	296,882,410.08
Other payables	23,146,201.41	-	-	-	23,146,201.41
Lease liabilities (including lease liabilities due within one year)	-	-	599,417.14	599,417.14	1,198,834.28
Total	320,028,611.49	-	599,417.14	599,417.14	321,227,445.77

NOTES TO FINANCIAL STATEMENTS (continued)

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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Risks arising from financial instruments (continued)

Liquidity risk (continued)

31 December 2022

Item	On demand	Within 3 months	3 months to 1 year	1 year to 2 years	Total
Trade payables	434,170,568.15	-	-	-	434,170,568.15
Other payables	39,178,709.80	-	-	-	39,178,709.80
Total	473,349,277.95	-	-	-	473,349,277.95

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 contractual deposits bearing interest at fixed rates. Accordingly, the Group is not exposed to any significant interest rate risk.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

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 31 December 2023 and 2022 were as follows:

	31 December 2023	31 December 2022
Gearing ratio	34%	37%

NOTES TO FINANCIAL STATEMENTS (continued)

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VIII. FAIR VALUE

1. Assets and liabilities measured at fair value

31 December 2023

Item	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 under financing	–	93,811,058.30	–	93,811,058.30

31 December 2022

Item	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 under financing	–	140,278,760.77	–	140,278,760.77

NOTES TO FINANCIAL STATEMENTS (continued)

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VIII. FAIR VALUE (continued)

2. Fair value evaluation

Management has assessed cash and bank balances, bills receivables, 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 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

Name	Place of registration	Nature of business	Registered capital RMB Yuan	Proportion of shareholding (%)	Proportion of votes (%)
Jinran China Resources	Tianjin, the PRC	Operation of gas; various types of engineering construction activities; installation and repair of gas-fired appliance etc.	5 billion	70.54%	70.54%

On 28 April 2022, Tianjin Gas, the Company's former parent company, transferred its 70.54% of the total issued shares of the Company to Jinran China Resources. The share transfer was completed on 25 May 2022. Since then, the Company's holding company changed from Tianjin Gas to Jinran China Resources.

NOTES TO FINANCIAL STATEMENTS (continued)

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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

Name	Relationship with related parties
天津能源投資集團有限公司	Ultimate controller of the investor who exercise joint control over the controlling shareholder
天津濱海燃氣集團有限公司	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
天津市燃氣熱力規劃設計研究院有限公司	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
天津市益銷燃氣工程發展有限公司	A subsidiary of the controlling shareholder
華潤燃氣(鄭州)市政設計研究院有限公司	A subsidiary of the investor who exercise joint control over the controlling shareholder
天津市熱力有限公司	A subsidiary of the investor who exercise joint control over the controlling shareholder
天津市津燃置業投資有限公司	A subsidiary of the investor who exercise joint control over the controlling shareholder
天津市液化氣有限責任公司	A sub subsidiary of the investor who exercise joint control over the controlling shareholder
天津能源投資集團科技有限公司	A subsidiary of the ultimate controller of the investor who exercise joint control over the controlling shareholder
天津市津能工程管理有限公司	A subsidiary of the ultimate controller of the investor who exercise joint control over the controlling shareholder
天津華潤萬家生活超市有限公司	A subsidiary of the ultimate controller of the investor who exercise joint control over the controlling shareholder
天津市津能投資有限公司	A subsidiary of the ultimate controller of the investor who exercise joint control over the controlling shareholder
天津泰華燃氣有限公司	An associate of the controlling shareholder
天津濱海中油燃氣有限責任公司	An associate of the controlling shareholder

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

5. Major transactions between the Group and its related parties

(1) Purchase of goods and services between related parties

Purchase of piped gas from a related party

Related party	2023	2022
津燃華潤燃氣有限公司	1,613,651,046.18	1,642,109,675.27

Engineering construction services received

Related party	2023	2022
天津市聯益燃氣配套工程有限責任公司	3,804,077.96	18,183,725.63
天津市液化氣工程有限公司	1,932,944.21	18,046,291.68
天津市眾元天然氣工程有限公司	8,654,065.66	11,991,708.89
津燃華潤燃氣有限公司	45,965,405.20	–
Total	60,356,493.03	48,221,726.20

Gas meter installation services received

Related party	2023	2022
天津市益銷燃氣工程發展有限公司	–	2,052,306.97
津燃華潤燃氣有限公司	3,257,948.33	734,981.65
Total	3,257,948.33	2,787,288.62

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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

(1) Purchase of goods and services between related parties

Purchase of gas meter from related party

Related party	2023	2022
天津市裕民燃氣表具有限公司	17,591,281.97	4,417,451.33
津燃華潤燃氣有限公司	11,536,190.08	2,120,448.68
Total	29,127,472.05	6,537,900.01

Obtaining pipeline design services from related party

Related party	2023	2022
華潤燃氣（鄭州）市政設計研究院有限公司	785,923.28	62,738.30
天津市燃氣熱力規劃設計研究院有限公司	683,089.94	2,410,145.31
Total	1,469,013.22	2,472,883.61

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

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

(2) Sales of goods and services between related parties

Gas transportation and rent services provided to related parties

Related party	2023	2022
津燃華潤燃氣有限公司	189,638.56	325,899.98
天津濱海燃氣集團有限公司	–	1,834,862.38
Total	189,638.56	2,160,762.36

Sales of piped gas to related parties

Related party	2023	2022
天津泰華燃氣有限公司	272,858,531.90	241,413,939.04
天津市熱力有限公司	1,981,651.68	3,089,092.88
天津濱海中油燃氣有限責任公司	175,832.68	199,287.70
天津華潤萬家生活超市有限公司	645,734.22	621,785.37
天津能源投資集團有限公司	25,087.57	22,153.99
天津市眾元天然氣工程有限公司	18,519.28	18,123.41
天津市益銷燃氣工程發展有限公司	–	426.70
Total	275,705,357.33	245,364,809.09

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

(3) Remuneration of key management

Item	2023	2022
Remuneration of key management	2,557,954.33	3,609,189.00

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

6. Receivables from related party

Account receivable

Related party	31 December 2023	31 December 2022
天津泰華燃氣有限公司	45,838,076.26	81,245,102.73
津燃華潤燃氣有限公司	206,705.99	355,230.96
天津濱海中油燃氣有限責任公司	32,398.22	—
天津市液化氣工程有限公司	336.75	185.73
Total	46,077,517.22	81,600,519.42

Other receivables

Related party	31 December 2023	31 December 2022
津燃華潤燃氣有限公司	415,418.25	1,343,567.72
Total	415,418.25	1,343,567.72

Receivables from related parties are interest free, unsecured and have no fixed repayment period.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

7. Amount due to related parties

Trade payables

Related party	31 December 2023	31 December 2022
津燃華潤燃氣有限公司	156,002,492.99	289,407,325.37
天津市裕民燃氣表具有限公司	11,275,999.37	8,282,176.29
天津市眾元天然氣工程有限公司	14,751,224.88	10,985,539.14
天津市聯益燃氣配套工程有限責任公司	14,548,935.31	24,467,528.60
天津市液化氣工程有限公司	11,343,079.08	16,888,067.44
天津市燃氣熱力規劃設計研究院有限公司	4,682,253.55	3,999,163.61
華潤燃氣(鄭州)市政設計研究院有限公司	829,176.94	32,902.60
天津能源投資集團科技有限公司	13,962.26	54,216.51
天津市津能工程管理有限公司	6,597.65	6,597.65
天津市益銷燃氣工程發展有限公司	–	3,631,704.86
Total	213,453,722.03	357,755,222.07

Contract liabilities

Related party	31 December 2023	31 December 2022
天津市熱力有限公司	892,296.66	1,232,332.64
天津市液化氣工程有限公司	663,694.05	723,426.51
天津華潤萬家生活超市有限公司	43,502.25	140,893.68
天津濱海中油燃氣有限責任公司	80,441.93	78,912.52
天津市津能投資有限公司	11,022.27	–
天津能源投資集團有限公司	–	9,359.75
Total	1,690,957.16	2,184,925.10

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(continued)

7. Amount due to related parties (continued)

Other payables

Related party	31 December 2023	31 December 2022
津燃華潤燃氣有限公司	–	1,570,039.21
天津市裕民燃氣表具有限公司	873,447.65	–
天津市津燃置業投資有限公司	646,848.93	–
天津能源投資集團科技有限公司	2,775.01	3,773.58
天津能源投資集團有限公司	–	14,531,300.00
天津市益銷燃氣工程發展有限公司	–	89,735.78
Total	1,523,071.59	16,194,848.57

The amount payable to related parties is interest free, unsecured and has no fixed repayment period.

X. COMMITMENTS

Item	31 December 2023	31 December 2022
Contracted but not provided for capital commitments	97,735,939.70	94,950,802.58

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

XI. 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 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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

XI. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Operating segments (continued)

2023

	Sales of piped gas	Gas connection	Gas transportation	Sales of gas appliances and others	Total
Revenue from external customers	1,724,927,637.16	50,917,178.62	189,638.56	4,492,834.42	1,780,527,288.76
Segment operating profit/(loss)	(98,812,818.22)	26,250,117.28	(1,751,570.17)	1,206,872.33	(73,107,398.78)
Add: Other income					5,057,193.03
Investment loss					(753,438.05)
Credit impairment loss					690,798.90
Asset impairment loss					(86,914,475.13)
Less: Administrative expenses					34,432,350.23
Finance costs					(24,597,721.17)
Add: Non-operating income					4,219.69
Less: Non-operating expenses					602,583.38
Total loss					(165,460,312.78)

During 2023, the Group has no income and expenditure related to the gas pipelines rent.

2022

	Sales of piped gas	Gas connection	Gas transportation	Sales of gas appliances and others	Gas pipelines rent	Total
Revenue from external customers	1,727,833,561.02	46,470,268.27	325,899.98	3,894,037.60	1,834,862.38	1,780,358,629.25
Segment operating profit/(loss)	(128,017,830.70)	25,118,076.97	322,500.50	1,198,877.55	318,710.67	(101,059,665.01)
Add: Other income						2,353,956.28
Investment income						5,673,148.56
Credit impairment loss						3,567,690.08
Less: Administrative expenses						33,857,957.80
Finance costs						(32,614,764.79)
Add: Non-operating income						3,976.31
Less: Non-operating expenses						2,186,954.71
Total loss						(92,891,041.50)

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

XI. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Information about products and services

For the revenue classified by category, please refer to Note V.26.

Geographical information

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

Information about major customers

In 2023, the Group has two customers whose income from a single customer accounts for more than 10% of the Group's total income (2022: two), with the amount of RMB429,145,789.87 and RMB272,858,531.90 respectively (2022: RMB436,597,000.52 and RMB241,413,939.04).

2. Remuneration of directors, supervisors and senior managers

Remuneration of directors, supervisors and senior managers for the year is disclosed as follow:

Item	2023	2022
Fees	300,000.00	300,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	1,362,382.05	1,789,666.06
Performance related bonuses	733,031.00	1,311,448.70
Pension scheme contributions	262,541.28	293,034.24
Sub-total	2,357,954.33	3,394,149.00
Total	2,657,954.33	3,694,149.00

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

XI. OTHER SIGNIFICANT EVENTS *(continued)*

2. Remuneration of directors, supervisors and senior managers *(continued)*

(1) Independent non-executive directors

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

Personnel	2023	2022
Zhang Ying Hua	50,000.00	50,000.00
Yu Jian Jun	50,000.00	50,000.00
Guo Jia Li	50,000.00	50,000.00
Total	150,000.00	150,000.00

There was no other remuneration payable to the independent non-executive directors during the year (2022: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

XI. OTHER SIGNIFICANT EVENTS (continued)

2. Remuneration of directors, supervisors and senior managers (continued)

(2) Executive directors, non-executive directors, senior managers and supervisors

2023

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors:					
Tang Jie	50,000.00	-	-	-	50,000.00
Chen Tao (notes 2 and 7)	-	-	-	-	-
Sun Liangchuan (note 5)	-	282,226.72	189,915.00	43,920.00	516,061.72
Sub-total	50,000.00	282,226.72	189,915.00	43,920.00	566,061.72
Non-executive directors:					
Guan Na (notes 3 and 7)	-	-	-	-	-
Wu Fang (notes 3 and 7)	-	-	-	-	-
Zhang Jinghan (notes 3 and 7)	-	-	-	-	-
Sub-total	-	-	-	-	-
Supervisors:					
Xu Peng (notes 4 and 7)	-	-	-	-	-
Zhang Tingting	-	160,187.98	132,550.00	37,144.32	329,882.30
Xu Hui	50,000.00	-	-	-	50,000.00
Liu Zhi Yuan	50,000.00	-	-	-	50,000.00
You Hui Yan	-	147,929.68	131,740.00	35,496.96	315,166.64
Sub-total	100,000.00	308,117.66	264,290.00	72,641.28	745,048.94
Other senior managers	-	772,037.67	278,826.00	145,980.00	1,196,843.67
Total	150,000.00	1,362,382.05	733,031.00	262,541.28	2,507,954.33

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

XI. OTHER SIGNIFICANT EVENTS (continued)

2. Remuneration of directors, supervisors and senior managers (continued)

(2) Executive directors, non-executive directors, senior managers and supervisors (continued)

2022

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors:					
Tang Jie	50,000.00	-	-	-	50,000.00
Zhao Wei (notes 1 and 2)	-	212,290.06	216,324.00	26,360.16	454,974.22
Chen Tao (notes 2 and 7)	-	-	-	-	-
Sun Liangchuan (note 5)	-	282,536.82	243,492.00	40,717.92	566,746.74
Sub-total	50,000.00	494,826.88	459,816.00	67,078.08	1,071,720.96
Non-executive directors:					
Guan Na (notes 3 and 7)	-	-	-	-	-
Wu Fang (notes 3 and 7)	-	-	-	-	-
Zhao Henghai (notes 1 and 3)	-	-	-	-	-
Zhang Jinghan (notes 3 and 7)	-	-	-	-	-
Hou Yuling (notes 3 and 6)	-	-	-	-	-
Hou Shuangjiang (notes 1 and 3)	-	-	-	-	-
Sub-total	-	-	-	-	-
Supervisors:					
Xu Peng (notes 4 and 7)	-	-	-	-	-
Zhang Tingting	-	159,460.20	126,450.00	37,148.16	323,058.36
Xu Hui	50,000.00	-	-	-	50,000.00
Sun Guoqing (note 4)	-	-	-	-	-
Liu Zhi Yuan	50,000.00	-	-	-	50,000.00
You Hui Yan	-	147,114.00	125,640.00	35,473.92	308,227.92
Sub-total	100,000.00	306,574.20	252,090.00	72,622.08	731,286.28
Other senior managers	-	988,264.98	599,542.70	153,334.08	1,741,141.76
Total	150,000.00	1,789,666.06	1,311,448.70	293,034.24	3,544,149.00

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

XI. OTHER SIGNIFICANT EVENTS *(continued)*

2. Remuneration of directors, supervisors and senior managers *(continued)*

(2) Executive directors, non-executive directors, senior managers and supervisors *(continued)*

Note 1: These directors have waived their remuneration from 26 June 2018.

Note 2: Mr. Zhao Wei resigned as Chairman of the Group on 1 August 2022. Mr. Chen Tao was appointed as Chairman of the Group on 1 August 2022 to fill the vacancy.

Note 3: Mr. Hou Shuangjiang, Ms. Hou Yuling and Mr. Zhao Henghai resigned as non-executive directors of the Group on 1 August 2022. Ms. Wu Fang, Ms. Guan Na and Mr. Zhang Jinghan were appointed as non-executive directors of the Group on 1 August 2022 to fill the vacancy.

Note 4: Mr. Sun Guoqing resigned as the supervisor of the Group on 1 August 2022. Mr. Xu Peng was appointed as the supervisor of the Group on 1 August 2022 to fill the vacancy.

Note 5: This director have waived his remuneration from 29 June 2020.

Note 6: This director has waived her remuneration from 25 June 2021.

Note 7: These directors have waived their remuneration from 1 August 2022.

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)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

XI. OTHER SIGNIFICANT EVENTS (continued)

2. Remuneration of directors, supervisors and senior managers (continued)

(3) Five highest paid employees

The five highest paid employees during the year included one directors (2022: two directors), details of whose remuneration are set out in Note XI.2.(2). Details of remunerations for the year of the remaining four (2022: three) highest paid employees who are not a director or supervisor but senior management officers of the Company are as follows:

Item	2023	2022
Salaries, allowances and benefits in kind	772,037.67	625,294.78
Performance related bonuses	278,826.00	551,834.70
Pension scheme contributions	145,980.00	105,437.28
Total	1,196,843.67	1,282,566.76

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

	2023	2022
Nil to HK\$1,000,000	4	3

3. Other matters

On February 7, 2024, the Company entered into an urban gas supply contract with Jinran China Resources Gas Co., Ltd. with a performance period from April 1, 2024 to March 31, 2027. According to the agreement, the annual upper limit of gas fee transaction amount is: RMB1,326,000,000 (tax included) for the year ended December 31, 2024; RMB2,282,000,000 (tax included) for the year ended December 31, 2025; RMB2,473,000,000 (tax included) for the year ended December 31, 2026; RMB992,000,000 (tax included) for the year ended December 31, 2027.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

1. Cash and bank balances

Item	31 December 2023	31 December 2022
Cash at banks	789,315,145.77	1,066,861,168.40

2. Other receivables

The ageing of other receivables is analysed below:

Ageing	31 December 2023	31 December 2022
Within 1 year	1,882,946.53	1,465,333.09
1 to 2 years	1,523,150.67	986,902.26
2 to 3 years	233,663.00	789,182.80
Over 3 years	4,894,023.22	4,896,047.19
Sub-total	8,533,783.42	8,137,465.34
Less: Provision for bad debts of other receivables	2,488,941.29	2,488,941.29
Total	6,044,842.13	5,648,524.05

Other receivables by nature are as follows:

Item	31 December 2023	31 December 2022
Employees' borrowings	177,213.83	179,343.63
Inter-company balance	3,831,700.98	3,628,285.18
Deposits and others	4,524,868.61	4,329,836.53
Sub-total	8,533,783.42	8,137,465.34
Less: Provision for bad debts of other receivables	2,488,941.29	2,488,941.29
Total	6,044,842.13	5,648,524.05

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

2. Other receivables (continued)

The changes of bad debt reserves of other receivables withdrawn according to the amount equivalent to the expected credit loss in the entire duration are as follows:

	Stage 3 Expected credit losses over entire duration- credit-impaired	Total
For the year ended 31 December 2023	2,488,941.29	2,488,941.29

For the year ended 31 December 2023 and 31 December 2022, the bad debt reserves of other receivables is RMB2,488,941.29, the value is no change for this year.

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
2023	2,488,941.29	–	–	2,488,941.29
2022	2,488,941.29	–	–	2,488,941.29

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

3. Long-term equity investments

2023

	Opening balance	Current year movements		Closing balance	Year-end provision for impairment
		Investment income/loss under the equity method	Other equity movement		
Associate					
天津市濱海燃氣有限公司	54,902,040.73	(753,438.05)	(252,106.99)	53,896,495.69	–
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)

2022

	Opening balance	Current year movements			Closing balance	Year-end provision for impairment
		Investment income/loss under the equity method	Other equity movement	Cash dividends or profit distribution announced		
Associate						
天津市濱海燃氣有限公司	49,135,974.84	5,673,148.56	252,468.01	(159,550.68)	54,902,040.73	–
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)

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

3. Long-term equity investments (continued)

Provision for impairment of long-term equity investment:

2023

	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

2022

	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

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

4. Fixed assets

2023

Item	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Total
Cost						
Opening balance	48,990,991.60	1,296,365,869.44	255,624,898.76	5,199,017.80	10,986,103.42	1,617,166,881.02
Purchase	-	64,397.24	5,368,503.82	400,409.99	134,871.56	5,968,182.61
Transferred from construction in progress	-	18,282,106.55	37,083,976.00	-	19,470.00	55,385,552.55
Disposal or scrap	-	678,810.69	2,062,157.29	10,683.76	62,661.40	2,814,313.14
Closing balance	48,990,991.60	1,314,033,562.54	296,015,221.29	5,588,744.03	11,077,783.58	1,675,706,303.04
Accumulated depreciation						
Opening balance	17,956,243.77	628,917,672.55	68,006,454.92	4,479,541.58	7,260,411.53	726,620,324.35
Provision	1,083,517.14	49,832,878.76	16,925,347.11	95,293.13	789,271.38	68,726,307.52
Disposal or scrap	-	503,234.97	1,732,163.33	9,615.38	55,963.28	2,300,976.96
Closing balance	19,039,760.91	678,247,316.34	83,199,638.70	4,565,219.33	7,993,719.63	793,045,654.91
Impairment provision						
Opening balance	-	-	5,722,041.28	-	-	5,722,041.28
Provision	606,570.17	64,039,984.70	21,893,175.16	60,077.90	314,667.20	86,914,475.13
Closing balance	606,570.17	64,039,984.70	27,615,216.44	60,077.90	314,667.20	92,636,516.41
Net carrying amount						
At end of the year	29,344,660.52	571,746,261.50	185,200,366.15	963,446.80	2,769,396.75	790,024,131.72
At beginning of the year	31,034,747.83	667,448,196.89	181,896,402.56	719,476.22	3,725,691.89	884,824,515.39

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

4. Fixed assets (continued)

2022

Item	Buildings	Pipelines	Machinery	Vehicles	Electronics, furniture and fixtures	Total
Cost						
Opening balance	48,990,991.60	1,243,643,830.47	219,137,632.06	5,027,521.94	11,011,893.41	1,527,811,869.48
Purchase	-	370,591.82	33,415,206.30	182,906.11	19,494.12	33,988,198.35
Transferred from construction in progress	-	53,904,129.62	5,055,871.45	-	-	58,960,001.07
Disposal or scrap	-	1,552,682.47	1,983,811.05	11,410.25	45,284.11	3,593,187.88
Closing balance	48,990,991.60	1,296,365,869.44	255,624,898.76	5,199,017.80	10,986,103.42	1,617,166,881.02
Accumulated depreciation						
Opening balance	16,788,552.09	583,346,170.55	55,983,361.27	4,321,199.83	6,449,973.77	666,889,257.51
Provision	1,167,691.68	46,134,222.14	13,472,779.89	168,310.97	846,742.46	61,789,747.14
Disposal or scrap	-	562,720.14	1,449,686.24	9,969.22	36,304.70	2,058,680.30
Closing balance	17,956,243.77	628,917,672.55	68,006,454.92	4,479,541.58	7,260,411.53	726,620,324.35
Impairment provision						
Opening balance	-	-	5,722,041.28	-	-	5,722,041.28
Provision	-	-	-	-	-	-
Closing balance	-	-	5,722,041.28	-	-	5,722,041.28
Net carrying amount						
At end of the year	31,034,747.83	667,448,196.89	181,896,402.56	719,476.22	3,725,691.89	884,824,515.39
At beginning 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

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

5. Deferred tax assets

(1) Deferred income tax assets not offset:

Item	31 December 2023		31 December 2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for bad debts	14,244,280.35	3,561,070.09	14,935,079.25	3,733,769.81
Provision for impairment of fixed assets	–	–	5,722,041.27	1,430,510.32
Provision for impairment of construction in progress	–	–	1,035,000.00	258,750.00
Provision for impairment of long-term equity investments	20,000,000.00	5,000,000.00	20,000,000.00	5,000,000.00
Deferred income	96,941,785.44	24,235,446.35	92,418,010.48	23,104,502.62
Deductible losses	164,986,122.00	41,246,530.51	121,020,947.99	30,255,237.00
Lease liabilities	1,135,245.33	283,811.33	–	–
Total	297,307,433.12	74,326,858.28	255,131,078.99	63,782,769.75

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

5. Deferred tax assets (continued)

(2) Deferred income tax liabilities not offset

Item	31 December 2023		31 December 2022	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Use right assets	1,115,054.30	278,763.57	–	–

(3) Deferred income tax assets or liabilities presented in net amount after offset

Item	Closing offset amount of deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after offset	Opening offset amount of deferred income tax assets and liabilities	Opening balance of deferred income tax assets or liabilities after offset
Deferred tax assets	278,763.57	74,048,094.71	–	63,782,769.75
Deferred tax liabilities	278,763.57	–	–	–

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
(Expressed in Renminbi Yuan)

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

6. Trade payables

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

Ageing	31 December 2023	31 December 2022
Within 1 year	225,401,299.34	394,367,427.74
1 to 2 years	53,862,438.46	23,986,490.99
Over 2 years	17,572,672.28	15,672,649.42
Total	296,836,410.08	434,026,568.15

7. Other payables

Item	31 December 2023	31 December 2022
Payables to related parties	1,523,071.59	16,194,848.57
Accrued expenses	2,913,380.37	2,371,684.80
Others	16,108,381.45	18,010,808.43
Total	20,544,833.41	36,577,341.80

8. Finance net income

Item	2023	2022
Interest income	(24,888,037.04)	(32,831,952.31)
Interest expense on lease liabilities	62,080.97	–
Others	226,931.37	216,503.53
Total	(24,599,024.70)	(32,615,448.78)

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2023 RMB'000	Year ended 31 December			
		2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	1,780,527	1,780,359	1,579,770	1,344,636	1,501,277
Net profit/(loss) for the year and total comprehensive income for the year	(155,195)	(68,432)	1,205	(13,641)	4,040
Net profit/(loss) for the year and total comprehensive income for the year attributable to shareholders of the Parent	(155,173)	(68,345)	1,432	(13,515)	4,383

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2023 RMB'000	As at 31 December			
		2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Current assets	1,081,800	1,478,996	1,389,247	1,500,292	1,577,139
Non-current assets	1,095,598	1,024,310	956,127	958,113	961,046
Current liabilities	650,145	825,409	590,250	609,973	673,056
Non-current liabilities	97,520	92,418	101,466	103,892	107,084
Equity attributable to shareholders of the Parent	1,430,673	1,586,396	1,654,489	1,749,377	1,762,756